Mackenzie Financial Corporation

2000 ANNUAL REPORT

GLOBALIZATION:

Voyage of opportunity.

Mackenzie
Building Financial Independence

Building financial independence
for individual investors
in partnership with
independent financial advisors

2000

Pour recevoir un exemplaire en français de ce rapport,
s'adresser à la Corporation Financière Mackenzie,
à l'adresse postale indiquée sur la troisième page de couverture.

CORPORATE PROFILE

Mackenzie Financial Corporation is an integrated financial services company, operating directly in North America and internationally through partner sub-advisor firms.

PERFORMANCE | Based on our performance, reputation and a choice of over 120 Mackenzie funds, more than one million investors have entrusted us to manage almost $40 billion of their investments. They rely on our domestic and international portfolio management teams to protect and increase their wealth.

LEADERSHIP | Mackenzie has been Building Financial Independence for investors since 1968. Working closely with our valued partners—independent financial advisors and sub-advisors on behalf of mutual fund investors—we've built one of Canada's leading financial services organizations.

SERVICE | Independent financial advisors have come to know, trust and recommend Mackenzie funds. Our employees provide advisors and their clients with efficient service, industry-leading sales support, educational programs and innovative financial products.

DIVERSIFICATION | Our Corporation operates through three significant business units:

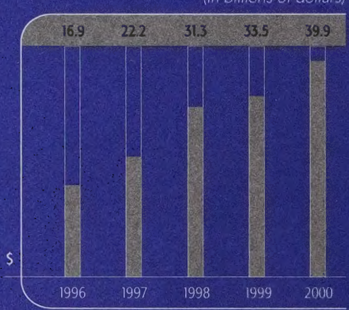
- **Canadian Asset Management Operations** – marketing and management of mutual funds in Canada through Mackenzie Financial Services Inc., and the management of assets for private individuals and organizations in our separate account business.
- **U.S. Asset Management Operations** – marketing and management of mutual funds and separate accounts in the United States through our majority owned subsidiary, Mackenzie Investment Management Inc., a public company with its own listing on The Toronto Stock Exchange *(symbol MCI)*.
- **Trust and Administrative Services** – financial products and services offered through M.R.S. Trust Company, Multiple Retirement Services Inc. and M.R.S. Securities Services Inc.

FINANCIAL HIGHLIGHTS

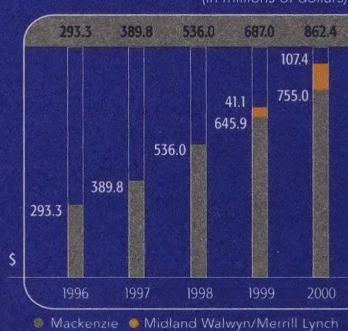
For the years ended March 31
(in millions of dollars except per share figures)

	2000	1999	1998
Assets under management	**$ 39,859**	$ 33,451	$ 31,334
Revenue	**862.4**	687.0	536.0
Net earnings	**176.7**	106.7	76.4
Shareholders' equity	**706.4**	538.2	426.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**493.8**	376.1	273.0
Cash flow from operations before the payment of selling commissions and changes in non-cash balances related to operations	**389.2**	289.9	255.9
Earnings per share - basic	**$ 1.39**	$ 0.85	$ 0.62
Earnings per share - fully diluted	**$ 1.32**	$ 0.82	$ 0.59
Common shares outstanding	**127,844,155**	126,891,455	124,904,630

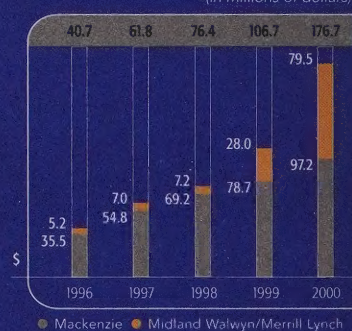
ASSETS UNDER ADMINISTRATION
(in billions of dollars)



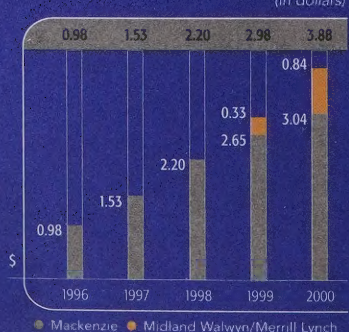
REVENUES
(in millions of dollars)



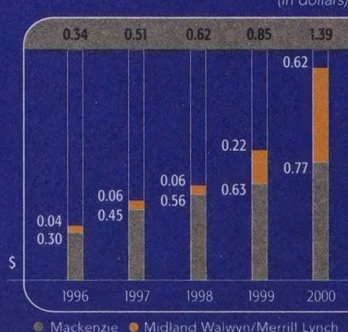
NET EARNINGS
(in millions of dollars)



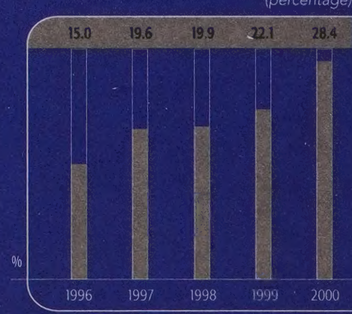
EBITDA PER SHARE
(in dollars)



EARNINGS PER SHARE
(in dollars)



RETURN ON EQUITY
(percentage)



GLOBAL PERFORMANCE:

Equity market leadership changes with each year.

Investors are learning the importance of participating in a large number of countries, economies and sectors around the world to generate consistently superior results.

ANNUAL RETURNS FOR THE TOP FIVE PERFORMING STOCK MARKETS IN THE WORLD

1990	Greece 91%	Mexico 50%	Chile 31%	U.K. 11%	Hong Kong 9%
1991	Argentina 403%	Brazil 171%	Mexico 123%	Chile 115%	Philippines 85%
1992	Jordan 54%	Philippines 53%	Thailand 49%	Hong Kong 46%	Mexico 37%
1993	Turkey 234%	Philippines 132%	Hong Kong 126%	Malaysia 119%	Indonesia 114%
1994	Brazil 76%	Finland 62%	Peru 54%	Chile 53%	Norway 32%
1995	Switzerland 41%	U.S.A. 34%	Sweden 30%	Spain 28%	Netherlands 25%
1996	Venezuela 132%	Brazil 43%	Spain 42%	Taiwan 41%	Sweden 39%
1997	Russia 162%	Turkey 128%	Hungary 104%	Mexico 61%	Portugal 54%
1998	Korea 155%	Finland 137%	Greece 88%	Belgium 79%	Italy 64%
1999	Turkey 233%	Russia 228%	Finland 139%	Malaysia 98%	Singapore 88%

Globalization

An appropriate theme for our annual report for three reasons.

First, North American investors continue to demand greater global exposure to maximize growth from the world's fastest growing markets and to minimize risk through the broadest possible diversification. In the past five years, for example, the capital our funds in Canada and the United States have invested outside North America has grown by more than 600%.

Second, there are 70 Mackenzie-managed funds with foreign mandates (and the number will continue to grow), invested in more than 50 countries around the world.

Third, Mackenzie has established a global presence through our own offices and those of our equity partners and sub-advisors. From over 40 locations around the world, we access more than 860 investment managers and researchers who oversee in excess of $1 trillion in investments—evaluating international investment opportunities with the benefit of local knowledge.

In the early 90's, we embraced the notion that Mackenzie would have to be global to succeed in the 21st century. Since that time, we have developed a roster of exceptional international managers with world-class skills, within our own organization and through our relationships with sub-advisors around the world, to leverage our global investment capability. We intend to add even broader expertise to that lineup in the future.

To effectively market this global capability, we continue to invest in initiatives to broaden and diversify our product line. In fiscal 2000 we launched our innovative RSP-eligible global funds, our multi-manager funds with global mandates, and completed our investment in Premier Asset Management plc. Most recently, we have put in place the initial steps to distribute our fund expertise outside North America.

As we look ahead, serving the needs of investors and the independent financial professionals who distribute our products—as well as our shareholders—means not just looking out on a larger world, but being a vital part of it. Stated simply, our ability to sell core investment management expertise in multiple markets—utilizing in-house and

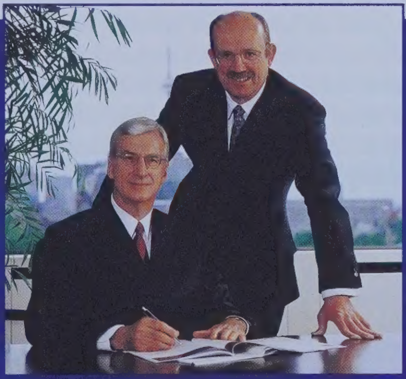
sub-advisor skills—in combination with our technology, innovative capability and financial strength, allows us to compete head-to-head with the largest multinational players. This formula clearly offers exciting growth, diversification, and profit-building opportunities for Mackenzie in the coming years.

Achieving our targets

A look at the Scorecard (page 10) shows that we continued to make progress against our long-term corporate objectives during fiscal 2000. Our market share in the Canadian fund industry increased, our assets under administration grew by $6.4 billion (nearly reaching $40.0 billion for the first time), and we realized productivity improvements for the benefit of our fund investors and our own shareholders, while posting a significant increase over our annual return on equity target. But we failed to meet our U.S. growth target and several of our core Canadian mutual funds fell out of the top two performance quartiles. We will increase our efforts to meet these targets in fiscal 2001.

Also, on the positive side of the ledger, sales increased despite the fact that a narrower range of funds—principally technology and specialized global funds—contributed materially to asset growth. To further broaden our sales in the coming year, we recently added four global industry sector funds (for a total of nine) which increase the reward to risk ratio of specialized investing. We have also made significant changes to the focus of a number of our traditional domestic funds which had underperformed and which were no longer attractive to investors. On the negative side, redemptions were higher than we would like, affected by generally poor comparative performance in most sectors of the Canadian equity market and by investor response to modifications in the payout policy of Industrial Income Fund.

The improving short-term performance of our funds, high market volatility and lower values for many technology (and particularly dot.com) stocks, top quartile performance from our international and technology funds, continuing expansion of sales channels beyond stockbrokers and financial planners, and recent product innovations are all reasons for optimism. In addition, our new industry sector funds, multi-class units, high net worth products, and segregated funds are all gaining sales momentum.



ALEXANDER CHRIST
Chairman

JAMES L. HUNTER
President and
Chief Executive Officer

Over the balance of the current year, there will be important new product introductions, including expansion of the highly successful Select Managers concept to include new funds invested globally, in Canada, in the U.S., in the Far East, and in Japan. While we find imitation by our peers of our innovative products (such as RSP-eligible foreign funds) to be flattering, we will ensure that some of our new products will be more difficult for competitors to replicate.

Continued financial growth

Increases in assets under administration, combined with gains from the Merrill Lynch investment and several expense reductions and tax initiatives—including a favourable outcome of the dispute with Canada Customs and Revenue Agency over taxation of our Mackenzie Securitized Partnership—once again resulted in record earnings. But while the numbers reflect important operational progress, we are still not satisfied. We continue to pursue cost-cutting programs that should result in further reductions in expenses per dollar of revenue, while increasing our overall operating efficiency. As a case in point, our ongoing effort to integrate systems for dealer back-office administration at MRS with Mackenzie's Canadian fund administration should make a significant contribution to profitability in the years to come.

It is comforting that we are now generating cash flows beyond the capital requirements of our business. With more than $300 million in free cash and liquid assets, Mackenzie has one of the strongest balance sheets in the Canadian industry. Over the coming years, we expect to be able to return excess cash flows to our shareholders, while still leaving sufficient capital to deal with global competition and to propel double-digit annual growth. More specifically, using internally generated capital we will be able to continue to underwrite manageable acquisitions, strategic partnerships and future product innovations.

ONE OF OUR MOST IMPORTANT STRENGTHS IS THE ABILITY TO ADD VALUE TO ACQUISITIONS.

A blueprint for further expansion

In a financial world of increasing consolidation, we believe one of our most important strengths at Mackenzie is the proven ability to add value to acquisitions. Our purchase of the Universal Funds in 1993 is a case in point. When we made the acquisition, this family of international funds consisted of four funds, amounting to approximately $300 million in assets under administration. Today, there are 39 funds and nearly $17 billion in assets—and Universal has acquired a well-deserved reputation as a leading international fund family for Canadian investors.

The turning point for Mackenzie Investment was the acquisition in 1992 of the Ivy Funds in the United States. And, while Mackenzie Investment has not been an unqualified operational success story in U.S. terms, the value of our original investment has grown substantially over the past nine years and it continues to be an important investment management resource for our Canadian asset management operations. U.S.-based managers employed by Mackenzie Investment play a key role in providing sub-advisory services to more than $5 billion in ten international funds in the Universal family.

Revitalized by a new senior management team and an expanded marketing capability, Mackenzie Investment is also taking steps to broaden its market presence and penetration in the U.S. Reopening the flagship Ivy International Fund—a major source of redemptions in fiscal 2000—under a newly recruited in-house investment manager with exceptional international credentials is a key component of Mackenzie Investment's expansion program.

Although we only purchased a 25 percent minority interest, the recent investment in London based Premier represents an important first step—and a relationship from which we hope to surface considerable value. With more than $1 billion under management, Premier develops financial products for distribution in the United Kingdom and on the European continent. Our plan is to launch funds managed by Premier for distribution through MRS to our traditional distribution channels in Canada—and for Mackenzie-managed funds to be distributed through Premier's European distribution network. We believe our small cash outlay of $14.8 million will provide attractive returns as an extension of our strategy of allying ourselves with globally positioned wealth managers, such as Alliance Capital Management, Dresdner RCM Global Investors, DWS Asset Management (Deutsche Bank), Henderson Investors, UBS Brinson, and UOB Asset Management.

In Canada, a number of new strategic initiatives are underway to permit expanded sales of The Industrial Group of Funds, which has endured significant redemptions in recent years. The challenges facing the Group have been brought into sharp focus over the past year by slumping Canadian equity markets and by a number of Industrial fund portfolios which were overweighted in out-of-favour industry sectors. In fiscal 2001, we plan to make fundamental changes to the mandates and management of these funds including adding a stronger international component to the Group to take greater advantage of increased foreign content RRSP allowances.

Positioned for the future

As we look ahead, we are confident about the future of Mackenzie for sound reasons:

- We have great people with diverse, relevant experience and backgrounds.
- As the baby-boom generation ages, the wealth management business must grow in North America and around the world. And, as recent market volatility for many popular industry sectors has again shown, making money consistently in the market is not simple. It is a long-term task for professional managers with access to the finest information and other resources. In Canada, we offer one of the widest ranges of investment management styles and top ranked investment managers.
- The range of domestic funds we offer investors is one of Canada's broadest. Our leadership in asset allocation programs positions us well to meet the individual needs of a wide spectrum of investors and their financial advisors. These same advisors recognize our record of product innovation and our commitment to support their business.
- Sales of our financial products have been strong in calendar 2000, which bodes well for short-term operating earnings. Our funds are generally more conservative, value oriented and diversified than the current focus of many individual investors. As a result, we fully expect our fund performance, sales and redemptions, and revenues will weather market declines in specific sectors better than industry norms.

THE RANGE OF FUNDS WE OFFER INVESTORS IS ONE OF CANADA'S BROADEST.

- We have proven our strength as front-line marketers, achieving superior sales growth with the support of a number of grassroots programs—from product development, to dealer education, to effective use of the Internet.

- Over the past several years, we have invested heavily to establish a solid foundation in information systems that will allow us to compete on an even footing with much larger international competitors well into the future.

- We have actually gained "shelf space" from the recent trend toward consolidation in the mutual fund marketplace. As a result of superior products, strong brand awareness, and industry-leading advisor support programs, we are well represented and growing in every distribution channel. With brokerage firms, our multi-class pricing structures make our products particularly well-suited to wrap and fee-for-service programs. With independent financial planners, we benefit from being a preferred fund supplier and from the exclusive focus on this distribution segment by MRS. With life insurers and banks, we are well represented as they begin to sell independent fund products through their extensive agent and branch networks.

AS A RESULT OF SUPERIOR PRODUCTS, STRONG BRAND AWARENESS, AND INDUSTRY-LEADING ADVISOR SUPPORT PROGRAMS, WE ARE WELL REPRESENTED AND GROWING IN EVERY DISTRIBUTION CHANNEL.

- To compete more effectively with the largest global financial services companies, Mackenzie has built alliances with nine firms. These sub-advisors collectively manage over $1 trillion in investments, and employ 867 investment professionals (see page 11).

A sound plan to create value

Over the years, Mackenzie has been widely identified as a takeover target, with speculation even more pronounced in recent months. As a matter of record, we have never received a credible offer.

As a matter of policy, the company is not "for sale", as we believe our strategy will continue to deliver value to shareholders. That strategy is based on the premise that we are worth more as an independent entity taking advantage of the best managers inside and outside the company, while represented by the broadest possible spectrum of independent distributors. We believe that is the best approach to building assets and shareholder value over the long term.

We also believe our shareholders and fund investors will be well served by participating in a company that is widely owned with control in the hands of a large number of public shareholders. As demographic developments fuel a worldwide boom in wealth management we have the game plan, the distribution partners, and the financial reserves to seize a myriad of opportunities. We are confident that these strengths will result in continued superior growth in the value of our shares in the marketplace in the years ahead.

Our thanks to you

As we embark on this new millennium, we offer heartfelt thanks to our employees, directors, distribution partners, fund investors and you, our shareholders, for your participation and support. We will do our best to assure that your faith continues to be well rewarded.

Alexander Christ
Chairman

James L. Hunter
President and Chief Executive Officer

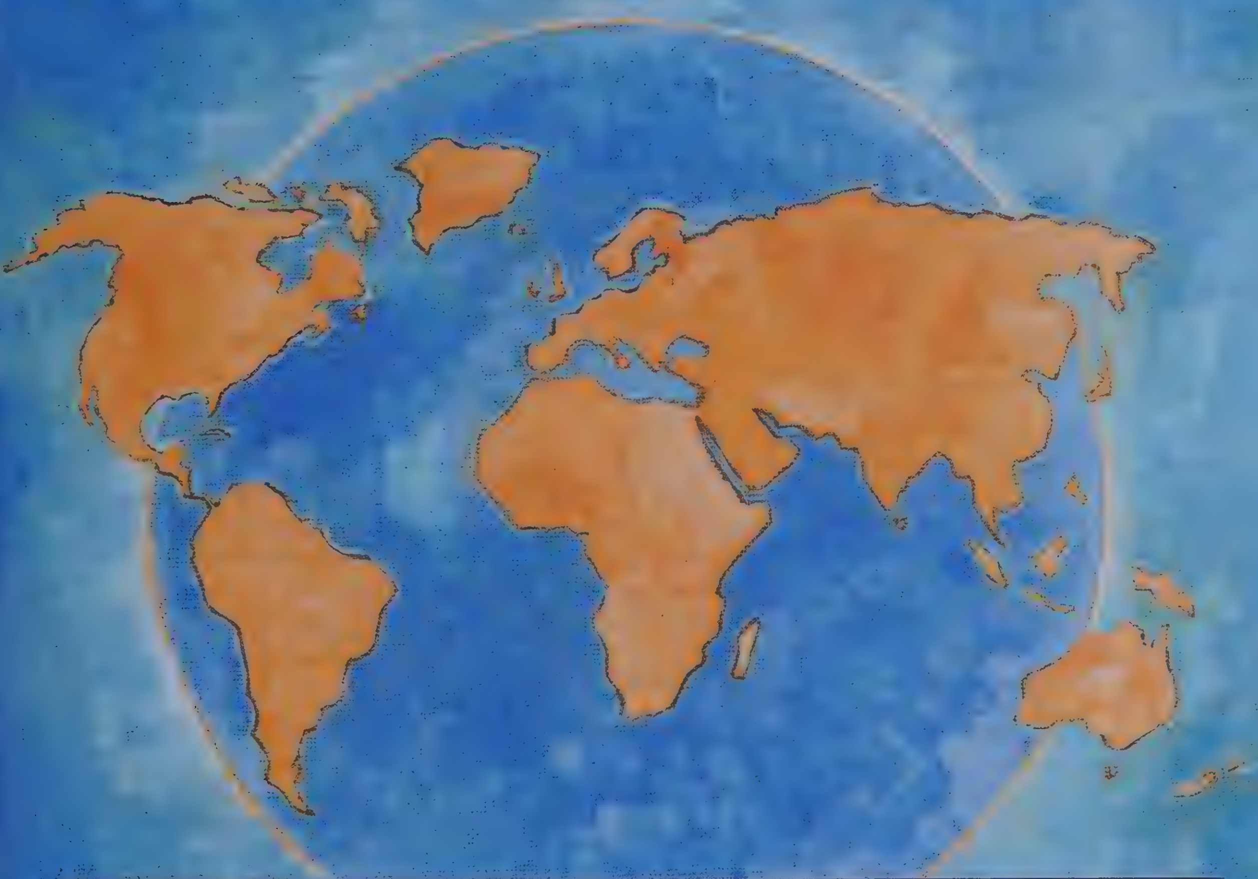
We have been focused on reshaping Mackenzie and its subsidiaries. Here is a scorecard of our progress against objectives to be achieved by 2003.

Objective	March 31, 2000 Result
Establish a leadership position in serving the needs of Canada's independent financial advisors and their clients.	**Achieved** – Both Mackenzie and MRS continue to be among the largest businesses of their kind serving independent financial advisors in Canada. Acquired a 54% interest in Winfund Software Company, a dealer back office system used by 95 Canadian mutual fund dealers.
Maintain our share of the Canadian mutual fund market above 7.5%.	**Achieved** – Actual market share increased to 8.0%.
Achieve growth in Canadian fund assets under administration of over 15% per year.	**Achieved** – Actual growth 22.7%.
Maintain two thirds of our Canadian fund assets in the top two performance quartiles of our industry.	**Not achieved** – Performance of several of our large funds lagged during the year. Our Canadian equity funds, which focus on value and high quality companies, had difficulty keeping pace with the returns in other sectors.
Achieve over 10% growth in assets under administration in the U.S. market.	**Not achieved** – U.S. mutual fund assets increased 5.4%.
Productivity measures:	
• Maintain fund operating expense ratios in the range of 30 to 35 basis points,	**Achieved** – Actual fund operating expense ratio of 31 basis points, among the lowest in the industry.
• Improve revenue per employee,	**Achieved** – Actual revenue increase of $10 thousand per employee.
• Reduce general and administrative and sub-advisor fee expenses per dollar of revenue.	**Achieved** – Actual expenses declined to 24.8% of total revenue (excluding Merrill Lynch).
Maintain consolidated return on equity in excess of 15%.	**Achieved** – Actual return on equity 28.4%.
Develop global management and distribution capability for our investment services and position our business to service and administer client needs on a global basis.	**A work in progress** – Acquired a 25% interest in Premier Asset Management plc (U.K. fund company) and commenced preparation for Mackenzie-managed Luxembourg funds. Strengthened our Internet-based dealer and investor services. We now provide fund administration and customer service from three locations in North America and through Premier from three locations in Europe.

GLOBAL KNOWLEDGE:

Covering the world with 867 portfolio managers and analysts.

We have assembled an exceptional roster of sub-advisors who represent an essential foundation on which to build our future asset growth.



Sub-Advisor	Assets Under Management *(Cdn$ billions)*	Number of Investment Professionals	Locations
Alliance Capital Management	450.0	276	Chicago, London, Madrid, Minneapolis, New York, Paris, San Francisco, Singapore, Sydney, Tokyo
Bluewater Investment Management	2.3	6	Toronto
Dresdner RCM Global Investors	122.0	180	Copenhagen, Frankfurt, Hong Kong, Kuala Lumpur, London, Madrid, Mexico City, Paris, San Diego, San Francisco, Singapore, Sydney, Tokyo
DWS Asset Management (Deutsche Bank)	126.8	77	Frankfurt, Luxembourg, Zurich
Henderson Investors	125.0	220	London, Singapore, Tokyo
Mackenzie Investment Management Inc.	10.1	11	Boca Raton, Ft. Lauderdale
Peter Cundill and Associates (Bermuda) Ltd.	2.1	20	Bermuda, Kingston, London, West Palm, Vancouver
UBS Brinson	240.0	40	Chicago, Frankfurt, Geneva, London, Melbourne, Paris, Singapore, Sydney, Tokyo, Zurich
UOB Asset Management	2.4	37	Kuala Lumpur, Singapore, Taipei
Total	**1,080.7**	**867**	

Canadian Asset Management Operations

Mackenzie's largest business activity is management of mutual funds in Canada. As of the end of the fiscal year, we provided investment management, marketing and administrative services for 66 mutual funds and 38 segregated funds held by over one million investors in the Cundill, Industrial, Ivy, and Universal fund families and in the STAR and KEYSTONE asset allocation programs.

Continued asset growth

On March 31, 2000, combined assets in Mackenzie mutual funds and segregated funds for Canadian investors totalled $33.0 billion of our consolidated managed asset base of $39.9 billion, including U.S. operations. According to the Investment Funds Institute of Canada, Mackenzie's share of the total Canadian mutual fund market increased to 8.0 percent from 7.9 percent during the previous twelve months.

More than 30,000 independent financial advisors in more than 400 dealer firms actively distribute Mackenzie funds. That number will increase significantly this year as Canada's major chartered banks begin distributing third party mutual funds, including many of our funds, through bank branch systems. Investors' need for advice is increasing overall and this need is even higher for those with a larger asset base and in periods of lower market growth or higher volatility. Our range of choice of investments—based on asset classes, countries or regions, and investment management styles—is one of the key advantages attracting financial advisors to Mackenzie funds.

Beyond Mackenzie's in-house management capability, we partner with prominent domestic and international sub-advisors to provide investment management services in specific geographic areas or market segments for funds in the Universal family:

- Alliance Capital Management
- Bluewater Investment Management
- Dresdner RCM Global Investors
- DWS Asset Management (Deutsche Bank)
- Henderson Investors
- Mackenzie Investment (our U.S. subsidiary)
- Peter Cundill and Associates (Bermuda) Ltd.
- UBS Brinson, and
- UOB Asset Management.

In addition to managing mutual funds and segregated funds, Mackenzie also provides investment management services to private and institutional accounts, primarily in the insurance sector, for management of segregated fund products. Assets in these accounts increased to $1.8 billion from $1.6 billion a year earlier.

During the year, Mackenzie continued to pursue a Canadian asset management strategy based on product innovation, expanded distribution and segmentation.

Product innovation. In May 1999, our introduction of two 100 percent RSP-eligible foreign funds with a unique investment strategy was another industry first for Mackenzie—and a major success, attracting more than $4.7 billion in assets before our fiscal year end. While the funds were quickly copied by competitors, Mackenzie retains the "first mover" advantage and remains the largest player in this key product sector.

Universal Select Managers Fund and Universal RSP Select Managers Fund continue to receive an enthusiastic reception from financial advisors and dealers alike. These two funds have attracted almost $6 billion in assets in less than 18 months and, on their own, would be Canada's 21st largest fund company. More importantly, they have opened up a market for a number of other multi-manager products to be launched from the same platform. The first of these, Universal Select Managers Canada Fund, was introduced in May 2000.

Mackenzie Segregated Funds, which provide important advantages to investors seeking potential creditor proofing or who are simply looking to protect their holdings against loss, were launched in September 1999. This is a new category for Mackenzie and the initial asset growth pattern is similar to the introduction of Ivy Funds and STAR: both had relatively slow introductory year asset growth, but have grown into significant contributors.

Mackenzie's segregated product design is much more conservative than our competitors' products. However, as new rules regarding capital and reserves come into force later this year, the likelihood is that these products of competitors will either be subject to significant price increases or investor benefit reductions. This has happened with two large competitors already, making Mackenzie's product more appealing.

Secondly, a fundamental benefit of segregated funds is the potential expansion of Mackenzie distribution to as many as 30,000 life insurance agents. Increasingly, they are no longer captive to the life insurance company through which they were licensed, and thus are able to distribute an even wider range of our products.

UNIVERSAL SELECT MANAGERS FUND AND UNIVERSAL RSP SELECT MANAGERS FUND HAVE ATTRACTED ALMOST $6 BILLION IN ASSETS IN LESS THAN 18 MONTHS

Distribution expansion. The trend in Canada is toward consolidation of mutual fund distributors and a decrease in the number of mutual funds sold by those remaining distributors. Mackenzie is one of a few firms whose products are well represented on this "shrinking shelf". Within this traditional distribution channel, the combination of product innovation, the industry's best education program (winner of Dealer Education Award since inception) and the products and administrative services of MRS give Mackenzie competitive advantages in gaining the attention of advisors.

We are also successfully broadening distribution to new channels, new firms and new advisors. Mackenzie is actively involved with newly developing channels including insurance companies, bank branches and Internet distributors. The rapid growth of insurance channel distribution over the past five years is expected to increase with the roll-out of segregated fund distribution agreements. Several large Canadian banks have announced programs to bring funds from independent fund companies such as Mackenzie to their banking customers through their well-developed branch systems. That new distribution channel will potentially double the number of financial advisors who are able to recommend our top-selling funds to their clients.

Segmentation. The launch in fiscal 2000 of multi-class units for many Mackenzie funds, unbundled pricing which dovetails with increased use of wrap products and fee-for-service financial planning, and the establishment of our Private Trust Group to work with financial advisors in administering these products, has opened up an important new market segment for the future: mutual fund products tailored specifically for high net worth investors.

OUR MARKETING EFFORTS FOR THIS FISCAL YEAR WILL CONTINUE TO BE FOCUSED ON FINANCIAL ADVISORS, IMPROVING SERVICE AND ON REINFORCING RELATIONSHIPS.

In addition, with venture capital being an important and growing asset class, Mackenzie entered into an agreement to market and administer the VenGrowth Funds. The recently launched VenGrowth II Investment Fund Inc. captured over $125 million in assets and, in September 2000, Mackenzie will begin to administer the VenGrowth Investment Fund Inc. with over $700 million in assets. Mackenzie views these funds as an important complement to its product line.

Finally, intensified marketing programs for Group RSP programs continued to capitalize on expanding privatization of pension systems and the associated move to defined contribution plans. On March 31, 2000, Mackenzie had more than $868 million in Group RSP assets, an increase of $295 million in the year.

Strategies for fiscal 2001

The major product emphasis in the current year will be on restructuring underperforming funds to improve asset retention and on continuing our record of expanding our product lineup with new and innovative products.

Three new industry sector funds—Universal Communications Fund, Universal Financial Services Fund, and Universal Internet Technologies Fund were launched in April, bringing the total number of sector funds to nine.

Universal Select Managers Canada Fund, the first of a number of planned geographic extensions of the popular Select Managers platform, was introduced in May. Over its first 45 days, this fund attracted more than $50 million in assets. Other similar funds will follow.

Our marketing efforts for this fiscal year will continue to be focused on financial advisors, improving service and on reinforcing relationships through educational initiatives such as our Mackenzie University conference program. With both investors and financial advisors, superior utilization of the Internet as a medium of communication continues to be a priority.

In spite of the continuing consolidations in the dealer distribution channel, and additional competition from international players entering the Canadian market, we continue to be enthused about our future growth prospects. As our traditional distribution channel becomes more concentrated, newer bank and insurance channels are emerging which offer significant future sales growth potential. With our strong brand recognition, our reputation for performance and our broad product lineup and asset allocation expertise, we remain a preferred supplier to each of these distribution networks. We believe that our Canadian asset management operations are well positioned for fiscal 2001 and beyond.

U.S. Asset Management Operations

Our U.S.-based asset management is provided by Mackenzie Investment Management Inc., an 86 percent-owned subsidiary and a public company listed on The Toronto Stock Exchange. Based in Boca Raton, Florida, Mackenzie Investment manages US$3.5 billion in 19 mutual funds of its own; provides investment management, transfer agent, administrative, and accounting services to these funds; and offers investment advisory services to all or part of the assets in ten Universal Funds (Cdn$5.1 billion) managed by Mackenzie and sold only in Canada.

A new management team

Fiscal 2000 was a year of significant change at Mackenzie Investment. In July 1999, Keith Carlson was appointed President and Chief Executive Officer. During his 15 years with Mackenzie Investment, Mr. Carlson has held a number of positions with increasing responsibility, including that of President of Ivy Mackenzie Distributors, Inc., Mackenzie Investment's sales and marketing subsidiary. Under the direction of a senior management team bolstered by a number of new additions, and with expanded marketing efforts, Mackenzie Investment is repositioning itself in the U.S. marketplace as investment specialists offering a world wide perspective—broadening the Ivy Fund brand identity so that it means growth and value investment styles and envelops both U.S. domestic and international funds.

Mackenzie Investment's expanded marketing presence now includes wholesalers in all 50 states along with a strengthened product management capability. These and other steps are expected to result in improved market penetration and asset growth in fiscal 2001 and beyond.

Increasing fund sales

During the fiscal year, U.S. investor sentiment toward international investing began to improve. Mackenzie Investment's sales increased significantly, in large part focused on its growth-style funds: Ivy Emerging Growth Fund, Ivy Growth Fund, Ivy Global Science & Technology Fund and Ivy European Opportunities Fund. Gross sales during the last quarter of the fiscal year were at their highest levels since the quarter ended June 30, 1997.

One significantly positive influence on net sales was Ivy European Opportunities Fund, introduced in May 1999, and patterned after a similarly named Universal fund offered by Mackenzie in Canada. Over the year, assets for Ivy European Opportunities Fund grew to US$220 million, driven in part by strong performance since inception.

DURING THE FISCAL YEAR, U.S. INVESTOR SENTIMENT TOWARD INTERNATIONAL INVESTING BEGAN TO IMPROVE.

Ivy International Fund, Mackenzie Investment's largest international equity fund, represented the single greatest challenge in fiscal 2000; but may well offer the greatest potential opportunity going forward. In the

first four months of fiscal 2000, Ivy International Fund continued to substantially underperform key benchmarks. Effective May 15, 2000, Northern Cross Investments Ltd., the fund's sub-advisor who had directed Ivy International Fund since its inception in 1986, resigned. To replace Northern Cross, Mackenzie Investment successfully recruited Sheridan Reilly from a major U.S. mutual fund and institutional investment management company. During his tenure with this company, international portfolios managed by Mr. Reilly handily outperformed key indices and indicators. In addition to giving Ivy International Fund a new lease on life, his appointment as Portfolio Manager and Chief Investment Officer of International Equities will also result in a significant net annual saving versus what had been paid in fees to the outside sub-advisor.

MACKENZIE INVESTMENT HAS ADDED THE ABILITY FOR EXISTING SHAREHOLDERS TO MAKE ONLINE FUND PURCHASES AND EXCHANGES.

Ivy International Fund had been closed to new investors at the former manager's request since April 1997, a situation that resulted in significant net redemptions in the fund. The fund was re-opened to new investors on June 1, 2000.

Strategies for fiscal 2001

Historically, a majority of Mackenzie Investment's international funds have been managed using a disciplined value style, one which has been out of favour for quite some time as many investors enthusiastically embraced momentum investing. To meet the broader ongoing needs of the marketplace, Mackenzie Investment is currently reshaping its product line by repositioning certain international funds to be more growth oriented.

At the same time, Mackenzie Investment is rationalizing its existing funds to ensure greater economies of scale. In mid-fiscal 2001, shareholders of four funds will be asked to approve their reorganization and absorption into four other Ivy Mackenzie funds.

Other changes in Mackenzie Investment's operational plan include recruitment of additional portfolio managers and experienced research analysts for the in-house international investment management team and implementation of a proactive asset retention program for Ivy International Fund to minimize redemptions. In addition, Mackenzie Investment will be improving and expanding its presence on the Internet to enhance communication with broker/dealers and investors. Among other benefits, Mackenzie Investment has in recent months added the ability for existing shareholders to make online fund purchases and exchanges.

The U.S. mutual fund marketplace is crowded and many brokerage firms are limiting the number of non-proprietary funds made available to brokers. However, Mackenzie Investment is confident of its ability to make gains in market share and profitability going forward, based on an attractive product line, more efficient cost structure, strong brand recognition for the Ivy Fund name, and established longstanding relationships with national brokerage firms, financial planners and registered investment advisors.

Trust and Administrative Services

Mackenzie's trust and administrative services are provided by the MRS Group of Companies. Through its subsidiaries Multiple Retirement Services Inc., M.R.S. Securities Services Inc., and M.R.S. Trust Company, MRS collectively provides trade execution and settlement services for mutual fund and other securities transactions, trustee services, offers a wide variety of deposit and lending products (high yield deposit accounts, mortgages, investment loans, and RSP contribution loans), and promotes and distributes the KEYSTONE family of mutual funds.

A growing asset base

With more than 240,000 accounts, MRS enjoys significant economies of scale on its account services platform. In addition, its asset base of more than $15 billion provides a large potential market to cross-sell products and services.

As a result of a recent $75.0 million capital injection from Mackenzie, M.R.S. Trust now has over $100 million in capital which allows it to qualify as a trustee for registered plans administered by Investment Dealers Association member firms. In an industry segment where technology plays a key role in leadership, MRS' 54 percent position in Winfund Software Company, acquired April 7, 2000, assures access to state-of-the-art software which provides a complete Windows-based back-office system for dealer organizations.

Over the year, KEYSTONE asset allocation portfolios experienced unprecedented growth of more than 180 percent—leading to assets in excess of $550 million by fiscal year end. KEYSTONE provides investors with access to the services of several prominent investment management companies, including Mackenzie, and enables MRS to offer registered account products and compete with "no trustee fee" plans offered by fund companies.

Fiscal 2000 operating achievements

- Introduction of *QuickTrade* provided faster trade execution, including simultaneous buying and selling of mutual funds from different fund companies—improving service standards to match IDA trading platforms and ensuring that clients can stay fully invested while re-balancing their portfolios.
- Two new mutual fund investment loans were launched, doubling the number of products offered in this category. At year-end, just 18 months after the launch of the first MRS investment loan, more than $50 million had been advanced to Canadian mutual fund investors.
- Launch of the *High Yield Plus* savings account raised deposits of over $55 million.
- M.R.S. Trust received approval for an increase in its regulatory borrowing multiple from 17.5 to 20.0 times its capital base.
- In an effort to reduce peak RRSP season paperwork loads and costs, advisors were encouraged to apply electronically for RSP loans on behalf of their clients. As a result, a record 50 percent of these loans (up from 20 percent) were originated via the Internet.

KEYSTONE ASSET ALLOCATION PORTFOLIOS EXPERIENCED UNPRECEDENTED GROWTH OF MORE THAN 180 PERCENT OVER THE YEAR

- Functions on the *Symon* website for dealers were expanded—and high-end security systems added to assure complete confidentiality of all dealer and client information. The result was greater usage of the site, improved service to investors, and lower costs for MRS. Use of the *Symon* interactive voice response system also increased, with more routine calls (such as inquiries for account balances) handled cost effectively without need for a live voice.

Benefitting from regulatory change

The anticipated granting of self-regulatory status for the Mutual Fund Dealers Association will create considerable additional demands and complexities for independent dealers, which may lead to MRS providing an even greater range of administrative services to its dealer customers. The MRS strategy will be to work collaboratively with all current dealers towards a more formalized relationship as a carrier of assigned business—along with agreements for stock/bond and mortgage referral, and trust deposit agency. MRS will also play an important advocacy role, attempting to ensure that the new bylaws are fair for both large and small players and will provide a level playing field.

The increasing role of the Internet has touched every aspect of the financial services industry. By broadening its range of competitively priced, high quality services and transparent Internet access to account and other information, MRS can simultaneously strengthen the hand of dealers and its relationship with them.

To utilize its additional capital, MRS will make greater use of on-balance sheet financing, relying less on securitizations—and M.R.S. Trust will become the new trustee for plans held by M.R.S. Securities Services Inc.

With managed-asset products representing an important growth avenue, MRS will freshen its existing KEYSTONE optimized portfolios and add additional products and mandates where desirable.

MRS will also explore other opportunities which will allow it to leverage its unique relationship in the dealer community to offer additional asset management products incorporating prominent third party investment managers with solid track records.

Consolidated Financial Results

In fiscal 2000, Mackenzie's net earnings were $176.7 million, an increase of $70.0 million (66%) from $106.7 million in fiscal 1999 (1998 - $76.4 million). Earnings per share rose to $1.39 from $0.85 last year (1998 - $0.62). Fully diluted earnings per share were $1.32 as compared to $0.82 last year (1998 - $0.59).

The increase in net earnings was primarily attributable to two developments in Canadian asset management operations:

- A gain of $79.5 million ($0.62 per share), net of income taxes of $27.9 million, from the sale of the investment in shares of Merrill Lynch & Co., Canada Ltd. In the previous year, net earnings included a gain of $27.4 million ($0.22 per share), net of income taxes of $13.8 million, from the

exchange of our investment in shares of Midland Walwyn Inc. for shares of Merrill Lynch; and

- A $6.4 billion (22%) increase in Canadian assets under management from $28.4 billion at March 31, 1999 to $34.8 billion at March 31, 2000.

Return on average shareholders' equity increased to 28.4% from 22.1% last year and 19.9% for fiscal 1998, primarily a result of the sale of Merrill Lynch shares.

TABLE 1 — CONTRIBUTION TO NET EARNINGS BY OPERATING SEGMENT

(in millions of dollars)

	2000	1999	1998
Canadian asset management operations	**$ 163.7**	$ 92.3	$ 62.4
U.S. asset management operations	**7.8**	10.8	11.4
Trust and administrative services	**5.2**	3.6	2.6
	$ 176.7	$ 106.7	$ 76.4

Revenue

Providing management services to public mutual funds in Canada and the U.S generates Mackenzie's main source of revenue. Management fees charged to each fund range from 0.4% to 2.0% per year, depending on the type of assets held. Operating expenses incurred in the administration process are reimbursed to Mackenzie and reported as a reduction of the related expenses. Mackenzie also earns revenues from redemption fees.

Revenue increased by $175.3 million to $862.4 million for the year ended March 31, 2000 from $687.1 million for the previous year (1998 - $536.0 million).

Management and administration fees

Management and administration fees from Canadian mutual fund operations increased $84.2 million (18%) to $549.3 million from $465.1 million in the previous year (1998 -

TABLE 2 — MANAGEMENT AND ADMINISTRATION FEES

(in millions of dollars)

	2000	1999	1998
Canadian mutual funds	**$ 549.3**	$ 465.1	$ 383.2
Private and institutional accounts	**5.0**	4.6	3.1
U.S. mutual funds	**61.1**	72.8	67.2
Trust and administrative services	**32.2**	28.3	28.9
	$ 647.6	$ 570.8	$ 482.4

$383.2 million). At the same time, average mutual fund assets under management grew by 17% to $29.3 billion from $25.1 billion in fiscal 1999 (fiscal 1998 - $20.6 billion). Growth in assets under management attributable to net sales and market performance was $6.1 billion in fiscal 2000 versus $2.2 billion in fiscal 1999 (fiscal 1998 - $7.1 billion) as reported in Table 3.

Net sales of mutual fund units declined 36% to $1.9 billion for the year as compared to $2.9 billion for the previous year (fiscal 1998 - $3.6 billion). With gross sales exceeding last year, the decline is a result of increased redemptions attributable to a number of factors: Mackenzie's domestic mutual funds are over-developed in the core Canadian equity and balanced categories and these categories of funds were most impacted as investors

TABLE 3 — ASSETS UNDER MANAGEMENT CONTINUITY SCHEDULE

(in millions of dollars)

	2000	1999	1998
Canadian Assets Under Management (Cdn$)			
Mutual Funds			
Beginning Assets Under Management	**$ 26,871**	$ 24,290	$ 17,240
Assets Acquired - Cundill Funds	**–**	365	–
Gross Sales	**6,886**	6,774	7,180
Redemptions	**(5,017)**	(3,867)	(3,547)
Net Sales	**1,869**	2,907	3,633
Performance	**4,236**	(691)	3,417
Ending Assets Under Management	**$ 32,976**	$ 26,871	$ 24,290
Private and Institutional Clients	**$ 1,778**	$ 1,555	$ 1,494
Total Canadian Assets Under Management (Cdn$)	**$ 34,754**	$ 28,426	$ 25,784
U.S. Assets Under Management (US$)			
Mutual Funds (US$)			
Beginning Assets Under Management	**$ 3,331**	$ 3,918	$ 2,845
Gross Sales	**761**	518	1,201
Redemptions	**(1,271)**	(1,036)	(591)
Net Redemptions	**(510)**	(518)	610
Performance	**691**	(69)	463
Total U.S. Assets Under Management	**$ 3,512**	$ 3,331	$ 3,918
Total Assets Under Management (Cdn$)	**$ 39,859**	$ 33,451	$ 31,334

moved to funds with an international investment mandate; a large proportion of assets in Mackenzie's domestic funds are managed using a value approach rather than growth, the latter yielding superior investment returns in fiscal 2000; also in January 2000, Mackenzie closed the sale of Industrial Income Fund Class A units to new investors.

Market performance for the year was $4.2 billion, an increase of $4.9 billion from negative market performance of $0.7 billion reported last year (fiscal 1998 - $3.4 billion).

Management and administration fees from U.S. asset management operations declined $11.7 million (16%) to $61.1 million from $72.8 million (1998 - $67.2 million), a result of the sale of the deferred selling commission asset relating to Class B shares in March 1999 and the decline in average net assets under management to US$3.4 billion from US$3.5 billion (fiscal 1998 - US$3.5 billion).

As at March 31, 2000, assets under management were US$3.5 billion, an increase of $181 million (5%) from US$3.3 billion at March 31, 1999 (refer to Table 3). US$691 million of the increase came from market appreciation with US$(510) million attributable to net redemptions. During the year gross sales increased US$243 million to US$761 million primarily due to increased interest in international investing, along with the re-opening of Ivy European Opportunities Fund. Redemptions for the year were US$1,271 million, an increase of US$235 million from the previous year. Ivy International Fund, which was closed to new investors in April 1997, accounted for US$903 million, or 71% (1999 - 74%) of the total redemptions during the period.

Distribution revenue

Distribution revenue includes redemption fees earned on units of mutual funds sold on a deferred sales charge basis for which Mackenzie and Mackenzie Investment were primary distributors and commission revenue on sale of shares of Mackenzie Investment's sponsored funds on a front end basis (refer to Table 4).

Redemption fees earned on Canadian mutual funds increased $23.7 million (72%) to $56.7 million from $33.0 million in the previous year (1998 - $23.6 million). Key contributors were the continued growth in assets under management which were sold on a deferred sales

TABLE 4 — DISTRIBUTION REVENUE
(in millions of dollars)

	2000	1999	1998
Redemption fees			
Canadian mutual funds	**$ 56.7**	$ 33.0	$ 23.6
U.S. mutual funds	**0.6**	4.6	2.7
Commissions			
U.S. mutual funds	**0.6**	0.3	1.0
Other	**2.9**	1.5	1.6
	$ 60.8	$ 39.4	$ 28.9

charge basis, combined with the internal funding for payment of selling commissions, and the increase in the redemption rate of Mackenzie's Canadian mutual funds from 15.5% in fiscal 1999 to 17.2% in the current fiscal year, primarily a result of declining fund performance statistics, investor preference for a growth-oriented investment style and the closing of the sale of Industrial Income Fund Class A units to new investors in January 2000.

Redemption fees earned on Mackenzie Investment's mutual funds declined to $0.6 million from $4.6 million in the previous year (1998 - $2.7 million), a result of the sale of the deferred selling commission asset in March 1999.

Gain on marketable securities

At $111.4 million, gain on marketable securities includes a $107.4 million gain resulting from the sale of Merrill Lynch shares. In fiscal 1999, the gain on marketable securities includes a $41.1 million contribution from the exchange of Mackenzie's investment in shares of Midland Walwyn for shares of Merrill Lynch.

Expenses

Expenses increased by $88.2 million (18%) to $578.3 million for fiscal 2000 from $490.1 million last year (fiscal 1998 - $399.0 million).

General and administrative

General and administrative expenses increased by $30.5 million (24%) to $158.2 million for the year ended March 31, 2000 from $127.7 million (fiscal 1998 - $108.6 million). This was primarily due to higher staffing costs, including profitability incentives, increased contributions to the Mackenzie Charitable Foundation, product development costs for the new RSP fund structure, legal and initial filing fee expenses for the launch of Segregated Funds and the mutual fund multi-class unit structures, restructuring costs in Mackenzie Investment, and a special one-time compensation accrual of $4.2 million recorded for select employees involved in the Merrill Lynch transaction.

Trail commissions

Trail commissions to dealers increased by $22.8 million (20%) to $139.6 million from $116.8 million in the previous year (1998 - $90.9 million), a result of the growth in average mutual fund assets under management and increased investor preference for equity funds which pay higher trail commissions.

TABLE 5 — TRAIL COMMISSIONS
(in millions of dollars)

	2000	1999	1998
Canadian asset management operations	**$ 126.4**	$ 103.2	$ 81.0
U.S. asset management operations	**13.2**	13.6	9.9
	$ 139.6	$ 116.8	$ 90.9

Sub-advisor fees

Sub-advisor fees increased by $4.3 million (13%) to $38.0 million from $33.7 million (1998 - $28.7 million) as detailed in Table 6. The increase incurred by Canadian asset management operations was due to the success of the Universal fund family which has an international focus and is primarily managed by sub-advisors. During the year Universal assets under management increased from $7.7 billion to $17.0 billion. Due in large part to the success of these funds, and the growing success of the Cundill Funds, Mackenzie is widely recognized as a leading provider of global equity products.

Sub-advisor fees paid by the U.S. asset management operations declined by $2.3 million (10%) to $20.0 million due to a decrease in average net assets in Mackenzie Investment's Ivy International Fund.

Sub-advisor fees paid to subsidiary companies have been eliminated from Table 6.

TABLE 6 — SUB-ADVISOR FEES

(in millions of dollars)

	2000	1999	1998
Canadian asset management operations	**$ 18.0**	$ 11.4	$ 8.1
U.S. asset management operations	**20.0**	22.3	20.6
	$ 38.0	$ 33.7	$ 28.7

Amortization of deferred selling commissions

Amortization of deferred selling commissions increased by $37.5 million (26%) to $180.2 million from $142.7 million (1998 - $106.9 million), a result of continued year-over-year growth in assets under management sold on a deferred sales charge basis combined with higher redemption fee revenue and the financing of the selling commissions paid utilizing cash flow from operations and debt financing. Mackenzie accelerates the amortization of deferred selling commissions to the extent of redemption fee revenue received.

TABLE 7 — AMORTIZATION OF DEFERRED SELLING COMMISSIONS

(in millions of dollars)

	2000	1999	1998
Canadian asset management operations	**$ 178.6**	$ 133.4	$ 97.0
U.S. asset management operations	**1.6**	9.3	9.9
	$ 180.2	$ 142.7	$ 106.9

Financial Position

Cash and short-term investments

Net proceeds from the sale of the investment in shares of Merrill Lynch combined with cash flow from operating activities, increased cash and short-term investments to $536.0 million from $293.0 million. In the previous year, the $118.9 million investment in Merrill Lynch was included in marketable securities.

In March 2000, an additional $75.0 million of capital was injected into M.R.S. Trust to meet the Investment Dealers Association of Canada's capital requirement to be qualified to act as the trustee for registered plans offered by M.R.S. Securities Services Inc., an investment dealer regulated by the IDA.

On March 31, 2000, $104.8 million (1999 - $44.8 million) of the consolidated cash and short-term investment balance pertained to M.R.S. Trust's operations and its availability for use was limited to M.R.S. Trust.

Loans

Included in loans is M.R.S. Trust's on-balance sheet mortgage portfolio of $178.0 million (1999 - $148.6 million) and personal loan portfolio of $158.6 million (1999 - $90.0 million). The majority of the growth in the mortgage portfolio has been in NHA insured mortgages, which increased $23.0 million (21%) from $109.2 million to $132.2 million. M.R.S. Trust advanced in excess of $50 million in investment loans used to finance client purchases of mutual funds in open accounts. Growth in this loan product accounted for the significant increase in the personal loan portfolio. M.R.S. Trust continues to effectively manage its loan arrears through its credit risk policies and procedures. As at March 31, 2000, $0.2 million (1999 - $0.3 million) of loans were classified as impaired.

Customer deposits

To finance growth in the loan portfolio, M.R.S. Trust raised additional customer deposits. As at March 31, 2000 customer deposits increased to $363.4 million from $281.8 million at March 31, 1999.

Deferred selling commissions

Deferred selling commissions grew to $628.9 million from $569.7 million. During the year, Mackenzie paid $239.4 million (1999 - $228.6 million) in deferred selling commissions and recorded amortization of deferred selling commissions of $180.2 million (1999 - $142.7 million). We have estimated that Mackenzie's entitlement to redemption fees, net of the permitted 10% free redemptions, at March 31, 2000, would have amounted to $970.1 million (1999 - $781.4 million) if all unitholders had redeemed in full their fund units on that date.

Deferred income taxes

Deferred income taxes increased to $276.5 million from $260.7 million. The most significant component of this resulted from the different treatment of selling commissions for income tax and accounting purposes. For income tax purposes, selling commissions are deducted in the year of the payment as opposed to being deferred and amortized for accounting purposes.

Liquidity and Capital Resources

Mackenzie's liquidity requirements involve financing of operations, servicing of debt, providing capital requirements of its subsidiary companies, paying dividends to shareholders and acquiring new businesses when opportunities arise.

Our overall objectives are to maintain sufficient capital resources to fund selling commissions paid to dealers during periods of high growth in sales of mutual fund units and to ensure that capital resources and liquid assets, including credit facilities, exceed short-term requirements should attractive investment opportunities or unforeseen events arise.

Cash and short-term investments increased to $536.0 million from $293.0 million (1998 - $79.9 million). M.R.S. Trust has segregated $30.0 million in cash and short-term investments related to its customer deposits (1999 - $32.7 million; 1998 - $45.7 million).

The sale of Mackenzie's investment in Merrill Lynch increased cash and short-term investments by $226.9 million during the year. The $56.6 million income tax liability relating to the transaction will be paid in early fiscal 2001 leaving net cash proceeds of $170.3 million relating to this transaction.

TABLE 8 — CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(in millions of dollars)

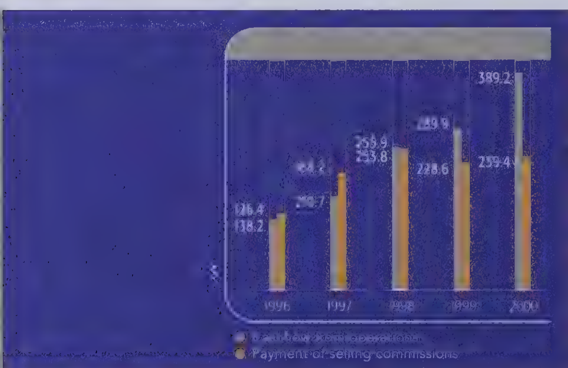
Years ended March 31	**2000**	1999	1998
Cash provided by operating activities before selling commissions paid and changes in non-cash balances	**$ 389.2**	$ 289.9	$ 255.9
Payment of selling commissions	**(239.4)**	(228.6)	(253.8)
Changes in non-cash balances related to operations	**60.7**	26.5	35.8
Cash provided by operating activities	**210.5**	87.8	37.9
Cash provided by (used by) financing activities	**23.2**	150.9	(21.8)
	233.7	238.7	16.1
Cash (used by) provided by investing activities	**10.3**	(27.3)	5.9
Increase in cash and cash equivalents	**244.0**	211.4	22.0
Currency exchange adjustment	**(1.0)**	1.7	0.5
Cash and cash equivalents – beginning of year	**293.0**	79.9	57.4
Cash and cash equivalents – end of year	**$ 536.0**	$ 293.0	$ 79.9

Operating activities

Cash provided by operating activities, before payment of selling commissions to dealers and changes in non-cash balances related to operations, increased to $389.2 million from $289.9 million (1998 - $255.9 million). The increase in net earnings and expenses not affecting cash combined with cash proceeds from the sale of our investment in Merrill Lynch accounted for the increase. The reduction in deferred income taxes for the year includes $28.3 million in reclassifications of deferred income taxes recorded last year, $13.8 million on the exchange of Midland Walwyn shares for Merrill Lynch shares and $14.5 million from adoption of CICA recommendations for recording and disclosing income taxes.

CASH FLOW AND PAYMENT OF SELLING COMMISSIONS

(in millions of dollars)



During the year, Mackenzie paid $239.4 million in selling commissions to dealers, an increase of $10.8 million from $228.6 million paid in fiscal 1999 (1998 - $253.8 million). Included as a source of cash in changes in non-cash balances related to operations is a $56.6 million increase in the current tax liability relating to the gain on sale of Merrill Lynch shares. This income tax liability will be paid in fiscal 2001.

Financing activities

Cash provided by financing activities declined by $127.7 million to $23.2 million from $150.9 million (1998 - cash utilized - $21.8 million). Early in fiscal 1999, Mackenzie completed an initial public offering of 8.1 million Preferred A Units of Mackenzie Income Trust.

Net proceeds of $195.1 million were loaned to Mackenzie to finance and refinance the sale of redemption charge securities. Also, in March 1999 Mackenzie paid $50.0 million to retire the 7.2% Series 1, Senior Debentures.

Growth in customer deposits with M.R.S. Trust increased cash by $81.6 million compared to an increase of $27.5 million last year (1998 - cash utilized - $24.0 million).

In addition, Mackenzie receives cash from the exercise of stock options by employees which generated $6.6 million in fiscal 2000, down $6.7 million from $13.3 million in fiscal 1999 (1998 - $14.8 million). Mackenzie Investment utilized $3.6 million to repurchase 621,400 of its common shares in the market.

During the year, cash was also utilized to repay $40.5 million of Preferred A Units, and $8.1 million of Amortizing Asset-Backed Notes.

By the end of fiscal 2001, Mackenzie will have fully repaid the $50.0 million Series 2, 7.72% Senior Debentures and the $8.6 million outstanding principal pertaining to the Amortizing Asset-Backed Notes issued by Mackenzie Securitized Partnership.

Investing activities

Cash generated by investing activities increased by $37.6 million to $10.3 million, from cash utilized of $27.3 million in fiscal 1999 (1998 - $6.0 million).

The decrease in marketable securities increased cash by $140.4 million, compared to a $60.6 million utilization of cash in fiscal 1999 (1998 - $13.9 million). $118.9 million of the increase was attributable to the sale of the Merrill Lynch investment.

In fiscal 1999, the exchange of Midland Walwyn shares for shares of Merrill Lynch resulted in a reclassification of the $77.5 million carrying cost from investment in affiliated company to marketable securities. The required write-up of the carrying cost of the Midland Walwyn investment to the market value of the Merrill Lynch shares, at time of exchange in fiscal 1999, was reflected in operating activities as an increase of $27.3 million in net earnings (net of income taxes of $13.8 million) and as a $41.1 million non-cash item under gain on share exchange. The share exchange did not have any effect on cash flow, taken as a whole.

Cash was utilized by Mackenzie to acquire a 24.9 percent interest in Premier Asset Management plc for $14.8 million and to purchase capital assets and by M.R.S. Trust to increase its lending activities by $98.0 million, compared to cash utilized of $32.9 million last year (1998 - cash generated $12.1 million).

Summary

Mackenzie generates capital resources internally through net earnings and externally through the issue of units of income trusts, senior debentures, notes payable and the sale of common shares and deferred selling commission assets. To provide additional liquidity for unforeseen events, Mackenzie maintains a $50.0 million line of credit with a Canadian chartered bank and Mackenzie Investment has a US$10.0 million loan facility from a U.S. bank.

In addition to the repayment of the $50.0 million Series 2, Senior Debentures and Amortizing Asset-Backed Notes, (referred to under Financing Activities) Mackenzie will be required to repay a portion of the Preferred A Units issued by Mackenzie Income Trust. Cash to repay the Notes by Mackenzie Securitized Partnership, and a portion of the Preferred A Units by the Trust, will be primarily derived from a portion of management fee revenue

and from all redemption fee revenue (relating to the units of the mutual funds distributed directly by Mackenzie Securitized Partnership and by Mackenzie where cash borrowed from the Trust was used to pay selling commissions to dealers).

Liquidity requirements within MRS arise primarily from financing its operations, servicing principal and interest obligations on guaranteed deposits, and meeting funding obligations arising from loan commitments. MRS uses a combination of securitizations, customer deposits and mortgage sales to Ivy Mortgage Fund to ensure that it meets all of its financing obligations in a cost-effective and efficient manner.

Because MRS is subject to significant regulation, monitoring capital adequacy is crucial. Sources of additional capital are retained earnings, and when required, capital injections of equity and regulatory capital through a subordinated loan facility. In March 2000, Mackenzie injected an additional $75.0 million of capital in the form of equity and subordinated loans to M.R.S. Trust.

Mackenzie will utilize increasing cash flow from operating activities and other financing opportunities to maintain liquidity and the strong capital base required to increase managed assets; repay debentures, notes and Preferred A Units; and complete other strategic initiatives as opportunities arise.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

Management is responsible for the accompanying consolidated financial statements and all information in this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and where appropriate reflect management's judgement and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system includes an internal audit function and an established code of business conduct.

The Board of Directors and its committees are responsible for all aspects related to governance of the Corporation. The Audit, Finance and Risk Committee of the Board, composed of directors who are not officers or employees of the Corporation, has specific responsibility for ensuring that management fulfills its responsibility for financial reporting and internal controls related thereto. The Committee meets with management, internal auditors and independent auditors to review the consolidated financial statements and the internal controls as they relate to the financial reporting. The Audit, Finance & Risk Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The internal and independent auditors have direct access to the Audit, Finance and Risk Committee.

The consolidated financial statements have been independently audited by PricewaterhouseCoopers LLP on behalf of the shareholders, in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

James L. Hunter

James L. Hunter, FCA
President and Chief Executive Officer

James Dryburgh

James T. Dryburgh, CA
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated statements of financial position of Mackenzie Financial Corporation as at March 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the three year period ended March 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and 1999 and the results of its operations and its cash flow for each of the years in the three year period ended March 31, 2000 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
May 5, 2000

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2000	1999
Assets		
Cash and short-term investments *(note 10)*	**$ 536,000**	$ 292,999
Marketable securities *(note 4)*	**20,577**	160,997
Accounts and other receivables *(note 10)*	**141,715**	103,467
Income taxes recoverable	**–**	3,773
Loans *(notes 5 and 10)*	**336,621**	238,584
Deferred selling commissions *(note 7)*	**628,874**	569,667
Investment in affiliated company *(note 3)*	**14,354**	–
Capital assets *(note 8)*	**27,723**	28,995
Other assets *(note 9)*	**25,873**	23,006
	$ 1,731,737	$ 1,421,488
Liabilities		
Accounts payable and accrued liabilities	**$ 137,093**	$ 96,678
Income taxes payable	**54,743**	–
Customer deposits *(note 10)*	**363,375**	281,814
Senior debentures and notes payable *(note 11)*	**58,622**	66,697
Preferred A Units *(note 12)*	**123,609**	164,135
Deferred income taxes *(note 16)*	**276,466**	260,669
Minority interest	**11,472**	13,254
	1,025,380	883,247
Shareholders' Equity		
Capital stock *(note 14)*		
Authorized - Unlimited number of common shares		
Issued and outstanding - 127,844,155		
(1999 - 126,891,455) common shares	**87,520**	80,958
Retained earnings	**615,156**	451,149
Currency exchange adjustment	**3,681**	6,134
	706,357	538,241
	$ 1,731,737	$ 1,421,488

(The accompanying notes are an integral part of these consolidated financial statements.)

Signed on behalf of the Board

James L. Hunter

James L. Hunter, FCA
Director

F. Warren Hurst

F. Warren Hurst, FCA
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended March 31
(thousands of dollars except per share figures)

	2000	1999	1998
Revenue			
Management and administration fees	$ 647,588	$ 570,825	$ 482,439
Distribution revenue	60,828	39,445	28,911
Interest relating to lending operations	22,988	20,900	18,831
Interest and dividends	19,599	13,173	3,536
Gain on marketable securities *(note 4)*	111,383	42,701	2,238
	862,386	687,044	535,955
Expenses			
General and administrative	158,179	127,664	108,620
Trail commissions to dealers	139,651	116,800	90,914
Subadvisory fees	38,011	33,717	28,742
Distribution fees paid to limited partnership	20,619	22,460	24,568
Interest expense relating to deposit operations	12,111	10,278	10,075
Other interest expense *(notes 11 and 12)*	12,893	19,750	9,964
Amortization of deferred selling commissions *(note 7)*	180,201	142,669	106,941
Other depreciation and amortization	16,600	16,771	19,142
	578,265	490,109	398,966
Earnings before provision for income taxes, equity in earnings of affiliated companies, dilution loss and minority interest	284,121	196,935	136,989
Provision for income taxes *(note 16)*			
Current	90,239	27,692	10,687
Deferred	15,797	60,550	54,469
	106,036	88,242	65,156
Net earnings before equity in earnings of affiliated companies, dilution loss and minority interest	178,085	108,693	71,833
Equity in earnings of affiliated companies	–	628	7,181
Dilution loss	–	(462)	(638)
Minority interest share of earnings	(1,336)	(2,122)	(1,945)
Net earnings for the year	176,749	106,737	76,431
Retained earnings – beginning of year	451,149	355,779	289,274
Dividends	(12,742)	(11,367)	(9,926)
Retained earnings – end of year	$ 615,156	$ 451,149	$ 355,779
Earnings per share – basic *(note 15)*	$ 1.39	$ 0.85	$ 0.62
Fully diluted earnings per share *(note 15)*	$ 1.32	$ 0.82	$ 0.59

(The accompanying notes are an integral part of these consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended March 31
(thousands of dollars)

	2000	1999	1998
Operating Activities			
Net earnings for the year	**$ 176,749**	$ 106,737	$ 76,431
Items not affecting cash –			
Gain on share exchange	**–**	(41,117)	–
Depreciation and amortization	**196,801**	159,440	126,083
Deferred income taxes	**15,797**	60,550	54,469
Equity in earnings of affiliated companies net of dividends received	**–**	72	(5,921)
Dilution loss	**–**	462	638
Minority interest share of earnings	**1,336**	2,122	1,945
Currency exchange adjustment	**(1,448)**	1,637	2,249
	389,235	289,903	255,894
Payment of selling commissions	**(239,408)**	(228,580)	(253,829)
Net decrease in non-cash balances related to operations *(note 17)*	**60,683**	26,526	35,784
	210,510	87,849	37,849
Financing Activities			
Proceeds from (repayment of) bank loan	**–**	(9,633)	2,828
Repayment of notes payable	**(8,075)**	(7,562)	(7,082)
Net proceeds from securitization of deferred selling commissions	**–**	31,417	–
Net proceeds from issue of Mackenzie Income Trust Preferred A Units *(note 12)*	**–**	195,141	–
Principal repayment of Preferred A Units	**(40,526)**	(38,365)	–
Repayment of senior debentures *(note 11)*	**–**	(50,000)	–
Purchase and retirement of Mackenzie Investment shares	**(3,623)**	–	–
Proceeds from issue of Mackenzie Investment shares	**5**	460	1,610
Increase (decrease) in customer deposits	**81,561**	27,522	(24,010)
Payment of dividends	**(12,742)**	(11,367)	(9,926)
Issue of common shares	**6,562**	13,303	14,768
	23,162	150,916	(21,812)
Investing Activities			
Decrease (increase) in marketable securities	**140,420**	(60,551)	13,850
(Increase) decrease in investment in affiliated companies	**(14,808)**	77,473	–
Purchase of capital assets	**(9,502)**	(10,937)	(17,188)
(Increase) decrease in loans	**(98,037)**	(32,882)	12,093
Increase in other assets	**(7,739)**	(490)	(2,801)
	10,334	(27,387)	5,954
Increase in cash and cash equivalents	**244,006**	211,378	21,991
Currency exchange adjustment on cash	**(1,005)**	1,745	503
Cash and cash equivalents – beginning of year	**292,999**	79,876	57,382
Cash and cash equivalents – end of year	**$ 536,000**	$ 292,999	$ 79,876
Supplemental disclosure of cash flow information			
Amount of interest paid in the year	**$ 28,668**	$ 25,132	$ 19,798
Amount of income taxes paid in the year	**$ 32,111**	$ 11,286	$ 15,784

(The accompanying notes are an integral part of these consolidated financial statements.)

For the years ended March 31, 2000, 1999 and 1998
(thousands of dollars except per share figures)

1. Description of Business

The Corporation is incorporated under the Business Corporations Act (Ontario). Its shares, which are widely held, are listed on The Toronto Stock Exchange under the ticker symbol MKF, and quoted on NASDAQ in the United States under the ticker symbol MKFCF. The common shares of Mackenzie Investment Management Inc., a majority owned subsidiary of the Corporation, are listed on The Toronto Stock Exchange under the ticker symbol MCI.

The Corporation's principal business is the marketing and management of public mutual funds in both Canada and the United States. In addition, the Corporation provides investment management services to other public mutual funds and private accounts.

The Corporation's main ancillary businesses are the operations of M.R.S. Trust Company, Multiple Retirement Services Inc. and M.R.S. Securities Services Inc. These subsidiaries provide trustee and administrative services to registered and investment accounts. As well, M.R.S. Trust Company conducts deposit taking and lending activities.

2. Significant Accounting Policies

The Corporation's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. See note 22 for a reconciliation of differences between the consolidated financial statements using Canadian generally accepted accounting principles and United States generally accepted accounting principles. The significant accounting policies are as follows:

Management's Estimates

Preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its directly and indirectly owned subsidiaries, trust and partnership of which the principal operating entities are:

	Ownership
• Mackenzie Investment Management Inc. ("Mackenzie Investment") (a Delaware company)	86%
• M.R.S. Trust Company ("M.R.S. Trust")	100%
• Multiple Retirement Services Inc.	100%
• M.R.S. Securities Services Inc.	100%
• Mackenzie Financial Services Inc.	100%
• Mackenzie Income Trust	100%
• Mackenzie Securitized Partnership ("MSP")	100%

Short-Term Investments

Short-term investments, consisting of liquid assets with maturities within 90 days of issue, are carried at amortized cost which approximates market value.

Marketable Securities

Marketable securities are carried at the lower of cost or amortized cost and market value. A write down of an investment in marketable securities to reflect a decline in value is not reversed if there is a subsequent increase in value.

Foreign Currency Translation

The financial statements of Mackenzie Investment, a majority owned U.S. company, have been translated to Canadian dollars using the current rate method, a method of translation which translates assets and liabilities at the rate of exchange in effect on the balance sheet date, and revenue and expense items at the rate of exchange in effect on the dates of the relevant transactions. Any resulting translation gains or losses are reported in shareholders' equity as a currency exchange adjustment.

Capital Assets

Capital assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided at annual rates as follows:

- Furniture and equipment – 20% diminishing balance basis
- Computer hardware – 30% diminishing balance basis
- Computer software – 50% straight-line basis
- Leasehold improvements – straight-line over term of lease

Revenue Recognition

Revenues for services rendered are recognized on an accrual basis when the services are performed.

Redemption fees payable by unitholders of deferred sales charge mutual funds, the sales commission of which was financed by the Corporation, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

Loan interest income is accounted for on an accrual basis, except that if a loan is in arrears for more than 90 days, no further accrual is recognized and all previously accrued income is reversed.

Loans

Loans are stated net of any unearned income and any allowance for credit losses. A loan is classified as impaired when it has been in arrears for more than 90 days and hence there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Impairment is measured as the difference between the recorded value of the loan and its estimated realizable amount, determined by discounting the expected future cash flows at the effective interest rate inherent in the loan at the date of impairment. When the amounts and timing of future cash flows cannot be determined with reasonable reliability, the fair value of any security underlying the loan, net of any expected realization costs, is used to measure the estimated realizable amount. When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan agreement ceases and all accrued

interest is reversed. Subsequent payments (interest or principal) received on an impaired loan are recorded as a reduction of the investment in the loan, or interest income as appropriate.

Securitization of Loans

From time to time, M.R.S. Trust sells mortgage loans and personal loans through securitization arrangements. Based on these arrangements, M.R.S. Trust either issues securities, which are backed by NHA-insured fixed-rate mortgages, to investors, or sells pools of NHA-insured floating-rate mortgages and personal loans to a third-party multi-seller financing vehicle (Multi-Seller Vehicle) which in turn issues securities to investors. M.R.S. Trust typically continues to administer the securitized mortgages and personal loans and receives all cash flows net of both the interest owing on the associated securities and amounts attributable to any outstanding receivables.

Goodwill

Goodwill is recorded at cost and amortized on a straight-line basis over ten years. The Corporation assesses the value of its goodwill by considering the estimated future economic benefit associated with the earnings capacity of the related business. Goodwill is written down when it is considered that a permanent impairment in value has occurred.

Management Contracts

Management contracts are recorded at cost and amortized on a straight-line basis primarily over a ten year period. The Corporation assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related mutual funds.

Selling Commissions

The Corporation directly finances selling commissions relating to its mutual funds which are distributed on a deferred sales charge basis. Selling commissions are recorded at cost and are amortized to expense over five to seven years. Unamortized deferred selling commissions are written-down to the extent that it is unlikely that expected future revenues will recover the unamortized costs.

Income Taxes

The Corporation follows the liability method of tax allocation, whereby future income tax assets are recorded for future tax benefits arising from deductible temporary differences, and future income tax liabilities are recorded for future income taxes arising from taxable temporary differences. These future income tax assets and liabilities are measured by the tax rate expected to be in effect when the differences reverse.

Share-Based Compensation

The Corporation accounts for share-based compensation in accordance with the intrinsic value-based method. Compensation expense for stock options is not recognized since the Corporation grants stock options without any intrinsic value. Any consideration paid on exercise of stock options to purchase common shares is credited to capital stock.

Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended March 31, 2000.

3. Investment in Affiliated Company

On November 29, 1999, the Corporation acquired 24.9% of Premier Asset Management plc ("Premier"), a public company listed on the London Stock Exchange, for cash consideration of $14,808. Premier manages a range of authorized United Kingdom and offshore funds and provides discretionary portfolio management services for private and corporate clients. The purchase is being accounted for by the equity method.

The purchase price allocation and consideration paid are summarized as follows:

Assets	$ 8,907
Liabilities	$ 4,991
Net assets acquired	$ 3,916
Purchase price	$ 14,808
Excess of purchase price over value of net assets acquired	$ 10,892

The excess of the purchase price of Premier over the value of net assets acquired is being amortized over ten years.

As at March 31, 2000, the quoted market value of the Corporation's investment in Premier was $14,691.

4. Marketable Securities

The market value of marketable securities as at March 31, 2000 is $23,664 (1999 - $267,163). During the year the Corporation sold its investment in shares of Merrill Lynch & Co., Canada Ltd. ("Merrill Lynch"). The net earnings attributable to the sale is $79,544 ($0.62 per share), net of income taxes payable of $27,890.

Effective August 26, 1998 the Corporation exchanged its investment in shares of Midland Walwyn Inc. (an affiliated company) for shares of Merrill Lynch. Included in fiscal 1999's net earnings is a gain on marketable securities of $27,357 ($0.22 per share), net of income taxes of $13,760, resulting from the share exchange.

5. Loans and Allowance for Credit Losses

An analysis of loans and the related allowance for credit losses is as follows:

2000

	Gross Amount	Allowance Specific	Allowance General	Carrying Amount
Loans:				
NHA insured mortgages	**$ 132,208**	**$ –**	**$ –**	**$ 132,208**
Conventional single family mortgages	**37,418**	**8**	**910**	**36,500**
Conventional non-single family mortgages	**10,484**	**52**	**1,111**	**9,321**
	180,110	**60**	**2,021**	**178,029**
Personal loans	**159,446**	**–**	**854**	**158,592**
Total loans	**$ 339,556**	**$ 60**	**$ 2,875**	**$ 336,621**

1999

	Gross Amount	Allowance Specific	Allowance General	Carrying Amount
Loans:				
NHA insured mortgages	$ 109,215	$ –	$ –	$ 109,215
Conventional single family mortgages	31,040	100	1,506	29,434
Conventional non-single family mortgages	11,064	124	1,006	9,934
	151,319	224	2,512	148,583
Personal loans	90,613	–	612	90,001
Total loans	$ 241,932	$ 224	$ 3,124	$ 238,584

An analysis of M.R.S. Trust's allowance for credit losses is as follows:

	2000	1999
Balance beginning of the year	**$ 3,348**	$ 3,410
Provision for credit losses	**(640)**	109
Write-off	**(783)**	(788)
Recoveries	**1,010**	617
Balance at end of year	**$ 2,935**	$ 3,348

Specific Provisions

Loans are reviewed regularly by management to assess classification as non-performing and, where appropriate, to require provision or write-off. The determination of the estimated recovery amount of non-performing loans is based on either discounting of estimated cash flows, the fair value of the underlying security or observable market prices, as appropriate, in accordance with management's

recovery plan. The value of security, which may vary by type of loan and which may include cash, real property, accounts receivable, guarantees, inventory or other capital assets, is considered in establishing allowances. As at March 31, 2000, $127 (1999 - $237) of single family mortgages, $32 (1999 - $112) of non-single family mortgages and $nil (1999 - $nil) of personal loans were classified as impaired.

6. Securitization of Loans

From time to time, M.R.S. Trust securitizes mortgages and personal loans through the issuance of mortgage-backed securities and sales to Multi-Seller Vehicle. These arrangements expose M.R.S. Trust to interest rate risk during aggregation of loan assets due to changes in the level of interest rates to the extent that both the interest rate on the asset securitized is fixed and that this risk is not hedged. The principal amount outstanding of loans securitized, the average original term to maturity at time of sale, the weighted average loan rate, the weighted average coupon rate of the security issued, and the related receivable recognized in the financial statements are as follows:

2000	Securitized Fixed-Rate Mortgage Loans	Securitized Floating-Rate Mortgage Loans	Securitized RSP Loans
Principal amount outstanding of loans securitized as at year-end	**$ 346,116**	**$ 25,104**	**$ 23,744**
Average original term to maturity at time of sale	**6.5 years**	**0.3 years**	**4.8 years**
Weighted average interest rate	**6.77%**	**6.68%**	**8.40%**
Weighted average coupon rate of security issued	**5.84%**	**5.25%**	**5.25%**
Receivable on securitized loans as at year-end	**$ 6,971**	**$ 512**	**$ 2,313**

1999			
Principal amount outstanding of loans securitized as at year-end	$ 197,537	$ 25,175	$ 21,816
Average original term to maturity at time of sale	5.6 years	0.6 years	3.6 years
Weighted average interest rate	7.07%	6.69%	8.45%
Weighted average coupon rate of security issued	6.03%	5.18%	5.18%
Receivable on securitized loans as at year-end	$ 3,038	$ 514	$ 2,089

7. Deferred Selling Commissions

During the year ended March 31, 2000, the Corporation paid $239,408 (1999 - $228,580; 1998 - $253,829) in deferred selling commissions and recorded amortization of deferred selling commissions of $180,201 (1999 - $142,669; 1998 - $106,941).

	2000	1999
Deferred selling commissions	**$ 1,206,373**	$ 966,965
Accumulated amortization	**577,499**	397,298
	$ 628,874	$ 569,667

Redemption fees are payable by mutual fund unitholders if mutual fund units acquired on a deferred sales charge basis are redeemed within a specified period. The Corporation has estimated that its entitlement to such redemption fees, net of the permitted 10% free redemptions, at March 31, 2000, would have amounted to $970,084 (1999 - $781,365) if all unitholders had redeemed their fund units on that date.

8. Capital Assets

2000	Cost	Accumulated Depreciation and Amortization	Net
Furniture and equipment	**$ 21,082**	**$ 13,153**	**$ 7,929**
Leasehold improvements	**20,815**	**9,434**	**11,381**
Computer hardware	**17,739**	**14,369**	**3,370**
Computer software	**37,091**	**32,048**	**5,043**
	$ 96,727	**$ 69,004**	**$ 27,723**

1999			
Furniture and equipment	$ 19,491	$ 11,308	$ 8,183
Leasehold improvements	19,722	6,417	13,305
Computer hardware	16,136	12,840	3,296
Computer software	31,976	27,765	4,211
	$ 87,325	$ 58,330	$ 28,995

9. Other Assets

	2000	1999
Management contracts, net of accumulated amortization of $16,907 (1999 - $15,128)	**$ 9,216**	$ 10,367
Goodwill, net of accumulated amortization of $7,465 (1999 - $6,151)	**4,616**	4,405
Issue costs, net of accumulated amortization of $4,693 (1999 - $2,814)	**4,590**	6,469
Other	**7,451**	1,765
	$ 25,873	$ 23,006

10. Segregated Assets

M.R.S. Trust has set aside assets related to its customer deposits as follows:

	2000	1999
Cash and short-term investments	**$ 30,037**	$ 32,724
Loans		
Mortgage loans	**179,669**	150,574
Personal loans	**146,699**	87,577
Accounts and other receivables	**6,970**	10,939
Total assets held in trust for customer deposits	**$ 363,375**	$ 281,814

11. Senior Debentures and Notes Payable

	2000	1999
Senior Debentures - Series 2	**$ 50,000**	$ 50,000
Notes	**8,622**	16,697
	$ 58,622	$ 66,697

Senior Debentures

Effective April 2, 1996, by short form prospectus, the Corporation issued $100,000 of unsecured indebtedness evidenced by $50,000 aggregate principal amount of 7.20% Senior Debentures designated as Series 1, which matured March 15, 1999 and $50,000 aggregate principal amount of 7.72% Senior Debentures designated as Series 2, maturing March 15, 2001. Interest on the Senior Debentures is payable in semi-annual installments on March 15 and September 15. The expense of the issue, inclusive of underwriters' fees of $538, was $947.

Notes

Amortizing Asset-Backed Notes ("Notes") Series 1994-1 mature on March 1, 2001, bear interest at 6.67% per annum calculated semi-annually, and are repayable monthly in equal blended amounts of

principal and interest of $744. A fixed and floating charge on MSP's right to receive distribution and related fees, the proceeds therefrom and amounts from investments of its liquid assets have been pledged as collateral for the Notes which are non-recourse to the Corporation. The principal payment required in fiscal 2001 is $8,622, at which point in time the Notes will be fully repaid.

12. Preferred A Units

Effective April 6, 1998, the Corporation completed the first closing of the initial public offering of eight million Preferred A Units of Mackenzie Income Trust (the "Trust") for $200,000, $120,000 payable at closing and $80,000 on November 30, 1998. Effective May 12, 1998 the Corporation completed the second closing of the initial public offering for 100 thousand Preferred A Units for $2,500, $1,500 payable at closing and $1,000 payable on November 30, 1998. Concurrent with the closings of the offering, the Corporation subscribed for $218,752 of ordinary units of the Trust.

The Preferred A Units are listed on The Toronto Stock Exchange under the ticker symbol MKA and have been rated P-2 by the Canadian Bond Rating Service Inc. The proceeds of the offering of $195,141, net of issue expenses of $7,359, and the proceeds from the purchase of ordinary units by the Corporation were loaned to the Corporation to finance and refinance the sale of redemption charge securities of mutual funds managed by the Corporation and its Canadian subsidiaries for the period January 1, 1997 to approximately November 30, 1998.

The Corporation issued to the Trust a Secured Note equal to 98% and a Participation Agreement equal to 2% of the amount received from the Trust. By way of the Participation Agreement, the Trust has purchased from the Corporation the right to continue to receive a part of the management fee and redemption charges to December 31, 2002 in the event the Secured Note is repaid in full before that time. The Secured Note bears interest at a rate of 6% per annum.

The Trust distributes quarterly to each Preferred A Unitholder a cumulative, preferential share of the Trust's distributable cash flow (the "Preferential Distribution"). The amount of the Preferential Distribution is $6.0192 per Preferred A Unit per annum comprised of both income and capital. The first Preferential Distribution was paid in July 1998 and the final Preferential Distribution will be paid on or before January 15, 2003.

The balance owing to the Preferred A Unitholders as at March 31, 2000 in the amount of $123,609 (1999 - $164,135), is reflected as a liability in the consolidated statements of financial position. The expense component of the Preferential Distribution, in the amount of $8,229 (1999 - $10,391), is included in other interest expense in the consolidated statements of earnings and retained earnings.

13. Credit Facility

The Corporation has arranged a $50,000 credit facility with a Canadian chartered bank for general corporate purposes. Amounts borrowed under this facility bear interest at either bank prime or bankers' acceptance rates plus 0.50%. The facility is unsecured and is repayable on demand. As at March 31, 2000 this facility was not utilized.

Mackenzie Investment has arranged a US$10,000 line of credit, with a maturity date of October 11, 2000. The advances bear interest at a fluctuating rate equal to the LIBOR Market Index Rate plus 1.5%. The agreement requires Mackenzie Investment to maintain a specified consolidated tangible net worth. As at March 31, 2000 this facility was not utilized.

14. Share Capital

(a) Stock Option Plan

The Corporation offers a stock option plan for certain key employees. Under this plan, options are periodically granted to purchase common shares at prices not less than the market price of such shares on the business day immediately prior to the grant date. The options have five year terms. Options granted on May 19, 1998 or later are exercisable three years from the grant date and options granted prior to May 19, 1998 are exercisable one year from the grant date.

During the year ended March 31, 2000, options for 952,700 shares (1999 - 1,986,825; 1998 - 2,645,000) were exercised for cash proceeds of $6,562 (1999 - $13,303; 1998 - $14,768).

	2000		1999		1998	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	**9,275,600**	**$ 14.32**	6,936,200	$ 9.00	6,483,200	$ 5.58
Granted	**2,470,500**	**19.49**	4,402,600	19.34	3,299,000	13.16
Exercised	**952,700**	**6.89**	1,986,825	6.70	2,645,000	5.58
Cancelled	**295,375**	**19.73**	76,375	17.92	201,000	12.07
Outstanding at end of year	**10,498,025**	**$ 16.06**	9,275,600	$ 14.32	6,936,200	$ 9.00
Exercisable at end of year	**3,964,175**	**$ 10.63**	4,916,875	$ 9.90	3,828,200	$ 5.58
Available for future grant	**1,644,413**		2,274,338		4,425,664	

The table below summarizes information related to outstanding and exercisable options at March 31, 2000.

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price
$ 4.81 - 8.85	1,437,450	$ 6.08	0.8	1,437,450	$ 6.08
12.35 - 14.75	2,319,400	12.64	2.3	2,115,025	12.47
15.35 - 16.95	328,900	16.07	3.1	209,400	15.84
17.00 - 19.75	4,451,225	18.49	4.5	147,300	17.53
20.45 - 22.05	1,961,050	21.92	3.2	55,000	20.48
	10,498,025			3,964,175	

(b) Employee Share Purchase Plan
An Employee Share Purchase Plan ("ESPP") is offered to all employees and directors of the Corporation and its Canadian subsidiaries. Each employee may contribute up to 5% of base salary each year. The Corporation matches 50% of the employee contribution each pay period as a taxable benefit. Shares purchased by the plan trustee with employee contributions vest immediately after purchase and shares purchased with employer contributions vest one year after purchase. All expenses relating to the administration of the plan are paid by the Corporation. If the Corporation achieves stated after-tax return on equity objectives the employer has the discretion to contribute an additional 25% or more of contributions made by employees and directors enrolled in the plan.

The Corporation contributed $1,323 (1999 - $956; 1998 - $641) under the terms of the ESPP, towards the purchase of common shares. As at March 31, 2000, an aggregate of 505,672 (1999 - 306,176) common shares were held under the ESPP.

(c) Normal Course Issuer Bid
In February 2000, the Corporation filed a normal course issuer bid authorizing it to acquire for cancellation up to 6,377,750 common shares or approximately 5% of the outstanding common shares of the Corporation. The bid commenced on February 8, 2000 and will terminate on the earlier of the date on which the maximum number of common shares have been purchased, the date the Corporation provides notice of termination, or February 7, 2001.

There were no common shares acquired by the Corporation under this bid during the year.

(d) Dividends
During the year the Corporation declared and paid dividends of $0.10 per share (1999 - $0.09 per share; 1998 - $0.08 per share).

15. Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding. Fully diluted earnings per share is calculated on the basis that all of the options to purchase common shares existing at the end of the year had been exercised at the beginning of the year or date of issuance, if later. Net earnings is adjusted to include an imputed income amount, which represents the after-tax return of investing the proceeds from options exercised at an assumed investment rate. The following table presents the computations of basic and fully diluted earnings per share:

	2000	1999	1998
Basic earnings per share			
Net earnings	**$ 176,749**	$ 106,737	$ 76,431
Weighted average number of shares outstanding	**127,412,586**	126,205,623	124,033,869
	$ 1.39	$ 0.85	$ 0.62
Fully diluted earnings per share			
Net earnings	**$ 176,749**	$ 106,737	$ 76,431
Imputed income	**3,336**	2,720	1,251
Net earnings adjusted for diluted computations	**$ 180,085**	$ 109,457	$ 77,682
Weighted average number of shares outstanding	**127,412,586**	126,205,623	124,033,869
Stock options	**8,624,932**	7,483,731	7,211,101
Fully diluted number of shares outstanding	**136,037,518**	133,689,354	131,244,970
	$ 1.32	$ 0.82	$ 0.59

16. Income Taxes

(a) Reconciliation of statutory effective rates of income tax:

	2000	1999	1998
Earnings before provision for income taxes			
Canada	**$ 268,623**	$ 176,315	$ 115,299
United States	**15,498**	20,620	21,690
Earnings before provision for income taxes	**$ 284,121**	$ 196,935	$ 136,989
Income taxes			
Federal and Provincial Statutory tax rates	**44.62%**	44.62%	44.62%
Tax at statutory rates	**$ 126,775**	$ 87,872	$ 61,124
Adjusted for the effect of:			
Difference between Canadian rate and rate applicable to Mackenzie Investment	**(1,080)**	(1,310)	(1,629)
Tax exempt investment income	**(451)**	–	(86)
Net capital gains	**(22,303)**	(5,303)	–
Disallowed expenses			
Food and entertainment	**837**	1,353	1,158
Amortization	**1,637**	1,307	1,219
Other items	**621**	4,323	3,370
Income taxes reported	**$ 106,036**	$ 88,242	$ 65,156

(b) Mackenzie Securitized Partnership

In 1993, the Corporation established MSP, a securitized partnership, to fund selling commissions payable upon the sale of securities of the Corporation-sponsored Canadian mutual funds. The Corporation is a 99.9% partner of MSP and Mackenzie Financial Services Inc., a wholly-owned subsidiary of the Corporation, owns the remaining interest.

In calculating its income for tax purposes, the Corporation deducted the selling commissions of $162,960 paid by MSP in the years that they were incurred on the basis that the Corporation was carrying on its business of distributing securities of mutual funds through MSP, and that such deduction was therefore in compliance with Canada Customs and Revenue Agency's ("CCRA") established assessing policy regarding the immediate deduction of selling expenses of mutual fund managers and other financial institutions. CCRA subsequently informed the Corporation that notwithstanding the fact that the Corporation and its wholly owned subsidiary are the sole partners of MSP, in CCRA's view the Corporation was not entitled to the immediate deduction of selling commissions incurred by MSP. CCRA and subsequently the Ministry of Finance, Ontario reassessed the Corporation on the basis that the selling commissions must be deferred and amortized. The tax issue is solely one of the timing of the deduction. The tax at issue was previously fully provided for on the consolidated statement of financial position under the headings "income taxes recoverable" and "deferred income taxes".

The Corporation recently received notice from CCRA that it was successful in contesting the reassessments, and accordingly, reduced its income tax provision by $2.2 million (approximately $0.02 per share). This amount was provided in previous years by the Corporation to cover potential interest charges in the event it was not successful in appealing the reassessments.

Since the Corporation has not yet received the final reassessments from the taxation authorities, the consolidated financial statements do not reflect any interest revenue to be credited to the Corporation as a result of the reassessment. These amounts will be accounted for in the period they are received.

(c) Components of deferred income taxes

	2000	1999
Deferred income tax assets		
Participation income - Mackenzie Income Trust	$ 2,064	$ 2,863
Corporate minimum income tax credit	–	16,174
Other	1,636	789
Total deferred income tax assets	3,700	19,826
Deferred income tax liabilities		
Deferred selling commissions	271,913	249,243
Capital assets	1,025	596
Gain on exchange of shares	–	13,760
Equity in earnings of affiliated company	–	14,788
Other	7,228	2,108
Total deferred income tax liabilities	280,166	280,495
Net deferred income taxes	$ 276,466	$ 260,669

17. Supplemental Cash Flow Information

	2000	1999	1998
Net decrease (increase) in non-cash balances related to operations:			
Accounts and other receivables	$ (38,248)	$ (10,374)	$ 13,203
Income taxes recoverable	3,773	18,252	30,819
Accounts payable and accrued liabilities	40,415	18,648	(8,238)
Income taxes payable	54,743	–	–
	$ 60,683	$ 26,526	$ 35,784

18. Commitments

The Corporation has operating lease commitments as shown:

2001	$	15,431
2002		12,826
2003		11,573
2004		4,179
2005		3,991
2006 and thereafter		21,821
Total	$	69,821

19. Limited Partnership

Selling commissions paid on sales of redemption charge securities of the Corporation-sponsored Canadian mutual funds for specified periods between 1987 and 1994 were financed by various retail limited partnerships. Between 1995 and 1997 these limited partnerships were consolidated to form the Mackenzie Master Limited Partnership ("Master LP"). In return for financing the selling commissions, the Master LP receives any redemption fees paid with respect to the related distributed securities and the Corporation is obligated to pay the Master LP a distribution fee equal to an annual rate of 0.51% of the market value of the outstanding distributed securities so long as such securities remain outstanding and the Master LP has not been wound up. As at March 31, 2000, the net asset value of securities of the Corporation-sponsored Canadian mutual funds financed by the Master LP was $3.8 billion (1999 - $4.1 billion).

20. Segmented Information

For management reporting purposes, the operations of the Corporation are grouped into the following business segments:

- Canadian asset management operations – This segment provides management services to public mutual funds in Canada. The three principal components of the management services are: portfolio investment management for the funds; distribution services to promote the sale of the funds' securities to the public; and administrative services, including transfer agency, fund and trust accounting, financial reporting and regulatory compliance. In addition to its Canadian mutual fund operation, this segment provides investment management services to private and institutional accounts;

- U.S. asset management operations – This segment provides management services to public mutual funds in the U.S. The specific services are similar to those described above for the Canadian mutual fund operations. This segment also provides sub-advisory services to certain Canadian funds distributed by the Corporation in Canada; and

- Trust and administrative services – This segment provides fiduciary and account administration services for registered retirement savings plans, registered retirement income funds, group retirement savings plans, pension plans and registered education savings plans. Account administration services are also provided for investment accounts. This segment also conducts a traditional

deposit taking and mortgage and personal lending business, which includes both RRSP contribution and investment loans. The trust and administrative services' segment operates entirely in Canada.

The accounting policies of the above segments are the same as those described in the 'Significant Accounting Policies' in note 2. Intersegment revenues are recorded at market prices. The Corporation evaluates the performance of its segments and allocates resources to them based on net earnings. Information about the Corporation's segments for the years ending March 31, 2000, 1999 and 1998 is shown below.

2000	Canadian Asset Management	Trust and Administrative Services	U.S. Asset Management	Total Operations
Revenues from external sources	**$ 736,511**	**$ 57,293**	**$ 68,582**	**$ 862,386**
Intersegment revenues	**177**	**7,643**	**13,912**	**21,732**
Gain on sale of Merrill Lynch	**107,434**	**–**	**–**	**107,434**
Interest income	**13,470**	**23,300**	**4,048**	**40,818**
Interest expense	**12,893**	**12,111**	**–**	**25,004**
Amortization of capital assets, management contracts and goodwill	**12,759**	**1,164**	**2,677**	**16,600**
Amortization of deferred selling commissions	**178,565**	**–**	**1,636**	**180,201**
Provision for income taxes	**95,159**	**4,538**	**6,339**	**106,036**
Net earnings	**163,744**	**5,181**	**7,824**	**176,749**
Segment assets	**1,140,174**	**501,160**	**90,403**	**1,731,737**
Investment in affiliated company	**14,354**	**–**	**–**	**14,354**
Expenditures for capital assets	**7,882**	**992**	**628**	**9,502**

1999				
Revenues from external sources	$ 557,193	$ 50,016	$ 79,835	$ 687,044
Intersegment revenues	144	4,906	9,013	14,063
Interest income	9,637	21,137	2,052	32,826
Interest expense	19,034	10,282	712	30,028
Amortization of capital assets, management contracts and goodwill	12,968	1,348	2,455	16,771
Amortization of deferred selling commissions	133,355	–	9,314	142,669
Provision for income taxes	76,852	3,671	7,719	88,242
Equity in earnings of affiliated company	628	–	–	628
Net earnings	92,343	3,614	10,780	106,737
Segment assets	1,013,772	319,924	87,792	1,421,488
Expenditures for capital assets	8,254	1,526	1,157	10,937

1998	Canadian Asset Management	Trust and Administrative Services	U.S. Asset Management	Total Operations
Revenues from external sources	$ 414,107	$ 48,317	$ 73,531	$ 535,955
Intersegment revenues	1,009	3,568	7,814	12,391
Interest income	2,401	18,831	1,127	22,359
Interest expense	9,272	10,088	679	20,039
Amortization of capital assets, management contracts and goodwill	15,756	1,376	2,010	19,142
Amortization of deferred selling commissions	97,040	–	9,901	106,941
Provision for income taxes	54,636	2,155	8,365	65,156
Equity in earnings of affiliated company	7,181	–	–	7,181
Net earnings	62,413	2,638	11,380	76,431
Segment assets	723,175	291,380	87,564	1,102,119
Investment in affiliated company	77,581	–	–	77,581
Expenditures for capital assets	12,454	3,538	1,196	17,188

A reconciliation of total segment revenues to consolidated revenues is as follows:

	2000	1999	1998
Total segment revenues	**$ 884,118**	$ 701,107	$ 548,346
Elimination of intersegment revenues	**21,732**	14,063	12,391
Consolidated revenues	**$ 862,386**	$ 687,044	$ 535,955

21. Fair Value of Financial Instruments

The amounts set out below represent the fair value of on- and off-balance sheet financial instruments of the Corporation. The aggregate fair value of the financial instruments presented do not include management's estimate of the underlying value of the Corporation.

While fair value amounts are designed to represent estimates of the amounts at which instruments could be exchanged in current transactions between willing parties, certain of the Corporation's financial instruments lack an available trading market. Therefore, fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flow and discount rates which reflect varying degrees of risk.

	Book Value	Estimated Fair Value
Assets		
Marketable securities	$ 20,577	$ 23,664
Loans	336,621	335,058
Liabilities		
Customer deposits	363,375	363,651
Debentures and notes payable		
Senior debentures – Series 2	50,000	50,639
Notes	8,622	8,644
Preferred A Units	123,609	121,500

The estimated fair value of the remaining monetary assets and liabilities is approximately equal to book value as the items are short-term in nature.

The fair value of loans and customer deposits is determined by discounting the expected future cash flows of the loans and deposits at market rates for loans and deposits with similar credit risk.

22. Differences from United States Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. United States generally accepted accounting principles ("U.S. GAAP") differ in the following material areas, with respect to the Corporation's consolidated financial statements:

(a) Marketable securities
Under U.S. GAAP, SFAS No. 115 requires that available-for-sale securities be reported at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income whereas under Canadian GAAP such securities are carried at the lower of cost and market value.

(b) Stock based compensation
Under U.S. GAAP, SFAS No. 123 encourages, but does not require, entities to record compensation expense based on the fair value of stock options on the date of grant. The Corporation continues to follow the alternative pronouncement which measures compensation expense based on the intrinsic value of the option on the date of grant.

(c) Diluted earnings per share
Under U.S. GAAP, SFAS No. 128 requires that diluted earnings per share be calculated using the treasury method. This method assumes that cash proceeds which would be received from the exercise of stock options are applied to buy back the company's own common stock at the higher of the average market price for the year or the year end market price. Under Canadian GAAP cash proceeds from the deemed exercise of stock options are assumed to be invested in such a way as to earn a reasonable return.

(d) Comprehensive income

Under U.S. GAAP, SFAS No. 130 requires that companies report comprehensive income as a measure of overall performance. Comprehensive income includes all changes in shareholders' equity during a period except those resulting from investments by owners and distributions to owners. There is no similar concept under Canadian GAAP.

The application of accounting principles generally accepted in the United States as described above would have the following approximate effects on the consolidated financial statements:

Consolidated Statements of Financial Position

	2000	1999
Marketable securities as reported	$ 20,577	$ 160,997
Effect of SFAS 115	3,087	106,004
Marketable securities - U.S. GAAP	$ 23,664	$ 267,001
Deferred taxes as reported	$ 276,466	$ 260,669
Effect of SFAS 115	918	35,475
Deferred taxes - U.S. GAAP	$ 277,384	$ 296,144
Retained earnings as reported	$ 615,156	$ 451,149
Effect of SFAS 115	2,169	70,529
Retained earnings	$ 617,325	$ 521,678

Consolidated Statements of Comprehensive Income

	2000	1999	1998
Net earnings	$ 176,749	$ 106,737	$ 76,431
Other comprehensive income:			
Currency exchange adjustment	(2,453)	3,382	2,752
Unrealized gains on marketable securities, net of tax	2,169	69,427	822
Reclassification adjustment for realized gains on marketable securities, net of tax	(70,529)	–	–
Comprehensive income	$ 105,936	$ 179,546	$ 80,005

Earnings Per Share Calculations

	2000	1999	1998
Weighted average number of shares outstanding during the year:			
Basic	**127,412,586**	126,205,623	124,033,869
Fully diluted	**129,195,463**	128,714,185	127,088,734
Earnings per share:			
Basic	**$ 1.39**	$ 0.85	$ 0.62
Fully diluted	**$ 1.37**	$ 0.83	$ 0.60

23. Future Accounting Changes

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard, which becomes effective for the Corporation on April 1, 2001, provides guidance for the accounting for all derivative and hedging activities. The standard requires that all derivative instruments be reported on the consolidated statement of financial position at their fair values, with changes in the fair value for derivatives that are not hedges reported through the consolidated statement of earnings and retained earnings. The changes in the fair value of derivatives that are hedges will be reported either through the consolidated statement of comprehensive income until the hedged item is recognized in earnings, or through the consolidated statement of earnings and retained earnings, depending on the nature of the hedge. The Corporation is in the process of evaluating the potential impact of the new standard.

24. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

Unaudited, in millions of dollars except per share and price data

Fiscal 2000	June 30	September 30	December 31	March 31
Revenue[1]	**$ 191.0**	**$ 176.9**	**$ 185.2**	**$ 309.3**
Expenses	**$ 131.9**	**$ 138.6**	**$ 141.5**	**$ 166.3**
Net earnings[2]	**$ 33.0**	**$ 20.4**	**$ 22.5**	**$ 100.8**
Earnings per share[2]	**$ 0.26**	**$ 0.16**	**$ 0.18**	**$ 0.79**
Fiscal 1999				
Revenue[1]	$ 161.6	$ 197.1	$ 159.0	$ 169.3
Expenses	$ 122.7	$ 119.4	$ 121.0	$ 127.0
Net earnings[2]	$ 21.2	$ 44.8	$ 19.4	$ 21.3
Earnings per share[2]	$ 0.17	$ 0.36	$ 0.15	$ 0.17

[1] *Included in revenues in the quarters ended June 30, 1999 and March 31, 2000 are gains on marketable securities of $18.5 million and $88.9 million respectively arising from the sale of Merrill Lynch shares. In the quarter ended September 30, 1998, revenues include a gain on marketable securities of $41.1 million, which represents the gain resulting from the exchange of Mackenzie's investment in Midland Walwyn shares for shares of Merrill Lynch.*

[2] *The Merrill Lynch/Midland Walwyn transactions contributed to quarterly net earnings as follows:*

September 30, 1998 — $27.4 million ($0.22 per share)
June 30, 1999 — $13.0 million ($0.10 per share)
March 31, 2000 — $66.5 million ($0.52 per share)

Common Share Information

The Corporation's common shares are listed on The Toronto Stock Exchange and on NASDAQ. Presented below are the high, low and closing quarterly share prices for fiscal 2000 and fiscal 1999, together with the quarterly trading volume, as reported on The Toronto Stock Exchange.

Fiscal 2000	June 30	September 30	December 31	March 31
High	**$ 20.15**	**$ 18.05**	**$ 18.45**	**$ 22.70**
Low	**$ 15.40**	**$ 13.75**	**$ 15.65**	**$ 14.30**
Closing	**$ 16.15**	**$ 17.35**	**$ 18.05**	**$ 18.90**
Trading volume (in thousands)	**10,955**	**25,383**	**26,846**	**35,942**
Fiscal 1999				
High	$ 23.95	$ 23.50	$ 22.00	$ 22.15
Low	$ 18.50	$ 13.50	$ 12.70	$ 15.85
Closing	$ 20.70	$ 13.85	$ 20.90	$ 17.75
Trading volume (in thousands)	19,577	16,617	25,662	16,979

(thousands of dollars except per share figures)

For the years ended March 31	**2000**	1999	1998	1997
Assets under management (in millions)	**$ 39,859**	$ 33,451	$ 31,334	$ 22,152
Revenue				
Management and administration fees	**$ 647,588**	$ 570,825	$ 482,439	$ 330,891
Gain (loss) on marketable securities	**111,383**	42,701	2,238	2,509
Other revenues	**103,415**	73,518	51,278	56,398
	862,386	687,044	535,955	389,798
Expenses				
General and administrative	**158,179**	127,664	108,620	92,913
Trail commissions	**139,651**	116,800	90,914	59,824
Amortization of deferred selling commissions	**180,201**	142,669	106,941	61,936
Other expenses	**100,234**	102,976	92,491	79,744
	578,265	490,109	398,966	294,417
Earnings before provision for income taxes	**284,121**	196,935	136,989	95,381
Provision for income taxes	**106,036**	88,242	65,156	43,123
Net earnings before equity in earnings of affiliated companies, dilution gain (loss) and minority interest	**178,085**	108,693	71,833	52,258
Equity in earnings (loss) of affiliated companies	**–**	628	7,181	6,957
Dilution gain (loss)	**–**	(462)	(638)	3,062
Minority interest share of earnings	**(1,336)**	(2,122)	(1,945)	(526)
Net earnings for the year	**$ 176,749**	$ 106,737	$ 76,431	$ 61,751
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$ 493,815**	$ 376,125	$ 273,036	$ 184,208
Cash flow from operations before the payment of selling commissions and changes in non-cash balances related to operations	**$ 389,235**	$ 289,903	$ 255,894	$ 168,173
Shareholders' equity	**$ 706,357**	$ 538,241	$ 426,186	$ 342,161
Debentures, notes and Preferred A Units	**$ 182,231**	$ 230,832	$ 124,259	$ 131,341
Common shares outstanding	**127,844,155**	126,891,455	124,904,630	122,259,630
Per share data				
Net earnings – basic	**$ 1.39**	$ 0.85	$ 0.62	$ 0.51
Net earnings – fully diluted	**$ 1.32**	$ 0.82	$ 0.59	$ 0.49
EBITDA	**$ 3.88**	$ 2.98	$ 2.20	$ 1.53
Cash flow from operations (as defined above)	**$ 3.05**	$ 2.30	$ 2.06	$ 1.39
Dividends paid	**$ 0.10**	$ 0.090	$ 0.080	$ 0.075
Book value	**$ 5.53**	$ 4.24	$ 3.41	$ 2.80

Note: Comparative figures reflect all prior stock splits (3 for 1 in August 1979; 2 for 1 in September 1983; 3 for 1 in January 1986; 3 for 1 in September 1987; 2 for 1 in November 1997)

1996	1995	1994	1993	1992	1991	1990
$ 16,884	$ 13,100	$ 12,122	$ 8,773	$ 8,371	$ 8,977	$ 9,548
$ 250,277	$ 212,043	$ 178,831	$ 119,574	$ 125,003	$ 132,832	$ 135,692
(53)	(19)	543	(307)	165	–	316
43,099	32,077	27,493	25,978	28,620	26,847	21,692
293,323	244,101	206,867	145,245	153,788	159,679	157,700
88,334	80,951	84,016	64,084	49,083	54,951	47,702
41,823	33,057	25,095	15,005	14,669	14,690	12,609
31,419	20,645	9,871	6,067	5,567	5,565	4,235
65,246	55,717	46,950	34,119	27,457	23,255	17,731
226,822	190,370	165,932	119,275	96,776	98,461	82,277
66,501	53,731	40,935	25,970	57,012	61,218	75,423
31,003	25,066	19,586	14,177	28,052	30,507	35,989
35,498	28,665	21,349	11,793	28,960	30,711	39,434
5,230	785	14,712	6,070	1,066	(81)	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
$ 40,728	$ 29,450	$ 36,061	$ 17,863	$ 30,026	$ 30,630	$ 39,434
$ 116,090	$ 91,703	$ 63,231	$ 41,459	$ 69,690	$ 72,987	$ 84,193
$ 126,434	$ 89,451	$ 61,665	$ 25,637	$ 39,334	$ 40,050	$ 54,536
$ 288,452	$ 254,215	$ 231,825	$ 196,950	$ 183,903	$ 156,050	$ 107,751
$ 37,973	$ 44,184	$ 50,000	$ –	$ –	$ –	$ –
119,257,230	118,528,230	118,508,230	116,256,800	115,743,400	114,200,800	108,150,800
$ 0.34	$ 0.25	$ 0.31	$ 0.16	$ 0.26	$ 0.28	$ 0.37
$ 0.33	$ 0.25	$ 0.30	$ 0.15	$ 0.26	$ 0.27	$ 0.36
$ 0.98	$ 0.77	$ 0.54	$ 0.36	$ 0.61	$ 0.64	$ 0.78
$ 1.06	$ 0.75	$ 0.52	$ 0.22	$ 0.34	$ 0.35	$ 0.51
$ 0.070	$ 0.060	$ 0.055	$ 0.050	$ 0.045	$ 0.040	$ 0.035
$ 2.42	$ 2.14	$ 1.96	$ 1.69	$ 1.59	$ 1.37	$ 1.00

OUR HISTORY

- **1968** Commenced operations with launch of Industrial Growth Fund
- **1980** Acquired 30% interest in U.S.E. Fund Management Ltd.
- **1981** Mackenzie's common shares listed on The Toronto Stock Exchange
- **1985** Incorporated Mackenzie Investment Management Inc.
- **1986** Acquired M.R.S. Trust Company
- **1987** Formed initial Industrial Horizon Partnership to finance selling commissions in Canada (currently Mackenzie Master Limited Partnership)
- **1990** Purchased minority interest in Midland Walwyn Inc. (currently Merrill Lynch Canada Inc.)
- **1992** Acquired Ivy Management, Inc. in the United States
- **1993** Acquired the remaining 70% of U.S.E. Fund Management Limited and management of the Universal Funds
  - Acquired Multiple Retirement Services Inc.
- **1994** Formed Mackenzie Securitized Partnership
  - Mackenzie's common shares listed on NASDAQ
- **1995** Launched STAR Asset Allocation Program
  - Formed Mackenzie Master Limited Partnership to consolidate previous limited partnerships
- **1996** Issued $50 million Series 1 and $50 million Series 2 Senior Unsecured Debentures
- **1997** Public offering of Mackenzie Investment Management Inc. common shares (TSE stock symbol: MCI)
- **1998** Created Mackenzie Income Trust and raised $200 million through an initial public offering of Preferred A Units
  - Launched KEYSTONE Asset Allocation Program
- **1999** Exchanged minority interest in Midland Walwyn Inc. for Merrill Lynch & Co., Canada Ltd. shares
  - Acquired Cundill Funds Inc. and management of the Cundill Funds

- Developed 100% RSP-eligible foreign funds
- Sold investment in Merrill Lynch Inc.
- Acquired 24.9% investment in Premier Asset Management plc in the United Kingdom

CORPORATE GOVERNANCE – COMPOSITION OF THE BOARD

There are ten members of the Board of Directors. Messrs. Christ, Cunningham and Hunter represent management on the Board. The remaining seven directors are "unrelated directors" as defined in The Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada. Three of our unrelated directors also sit on the boards of our two major subsidiaries, Mackenzie Investment and M.R.S. Trust Company, to ensure that our Board is fully informed with respect to those subsidiary operations. The Management Information Circular dated July 17, 2000 contains brief biographies of each of our directors.

Our Corporation is pleased to report that it complies with all of The TSE Corporate Governance Guidelines.

Committees of the Board

We have formed three Board Committees to address our on-going corporate governance obligations.

1 The **Audit, Finance and Risk Committee** is composed entirely of unrelated directors: F. Warren Hurst (Chair), Gail C. A. Cook-Bennett, and Alan J. Dilworth.

On behalf of the Board it undertakes responsibility for oversight of effective management of the Corporation's financial and business risks, reliable management and financial reporting, and maintenance of an effective and efficient shareholders' audit.

2 The **Human Resource and Corporate Governance Committee** is also composed entirely of unrelated directors: C. David Clark (Chair), Dermot G. J. Coughlan, and William G. Crerar.

This Committee has primary responsibility for review and approval of all human resource and compensation policies proposed by management. It also oversees the process by which the Corporation meets The TSE Corporate Governance Guidelines each year.

3 The **Regulatory, Compliance and Ethics Committee** is composed of a majority of unrelated directors: Alasdair J. McKichan (Chair), William G. Crerar, and James L. Hunter.

The Committee has responsibility for oversight of compliance by the Corporation with appropriate standards for best practices, ethical conduct and all rules, regulations and laws which relate to our business operations. The Committee has primary responsibility for review of all public disclosure documents issued by the Corporation and its Canadian mutual funds.

DIRECTORS

Alexander Christ
Chairman
Mackenzie Financial Corporation

C. David Clark
Corporate Director
Executive Chairman
[illegible]

Gail C. A. Cook-Bennett
Chairperson
Canada Pension Plan Investment Board

Dermot G. J. Coughlan
Chairman
[illegible]
Former Chairman and Chief Executive Officer
[illegible]

William G. Crerar
Corporate Director
Former Chairman
Mackenzie Financial Corporation

Philip F. Cunningham
President and Chief Executive Officer
Mackenzie Financial Services Inc.

Alan J. Dilworth
President
Alan J. Dilworth Consulting Inc.
Former Partner
Deloitte & Touche

James L. Hunter
President and Chief Executive Officer
Mackenzie Financial Corporation

F. Warren Hurst
Corporate Director
Former Senior Policy Advisor
Investment Dealers Association of Canada

Alasdair J. McKichan
Corporate Director
Former President
Retail Council of Canada

As at March 31, 2000

Canadian Mutual Funds:

The Industrial Group of Funds

Industrial American Fund
Industrial Balanced Fund
Industrial Bond Fund
Industrial Cash Management Fund
Industrial Dividend Growth Fund
Industrial Equity Fund Limited
Industrial Growth Fund
Industrial Horizon Fund
Industrial Income Fund
Industrial Mortgage Securities Fund
Industrial Pension Fund
Industrial Short-Term Fund
Industrial Yield Advantage Fund

IVY FUNDS

Ivy Canadian Fund
Ivy Enterprise Fund
Ivy Foreign Equity Fund
Ivy Growth and Income Fund
Ivy Mortgage Fund
Ivy RSP Foreign Equity Fund

The Cundill Funds

Cundill Canadian Balanced Fund
Cundill Canadian Security Fund
Cundill Global Balanced Fund
Cundill Recovery Fund
Cundill Value Fund
Cundill RSP Value Fund

THE UNIVERSAL FUNDS

Universal Americas Fund
Universal Canadian Balanced Fund
Universal Canadian Growth Fund
Universal Canadian Resource Fund
Universal European Opportunities Fund
Universal Far East Fund
Universal Future Fund
Universal Global Ethics Fund
Universal Health Sciences Fund
Universal International Stock Fund
Universal Japan Fund
Universal Precious Metals Fund
Universal RSP European Opportunities Fund
Universal RSP International Stock Fund
Universal RSP Select Managers Fund
Universal RSP World Science and Technology Fund
Universal Select Managers Fund
Universal U.S. Emerging Growth Fund
Universal U.S. Money Market Fund
Universal U.S. Blue Chip Fund
Universal World Asset Allocation Fund
Universal World Balanced RRSP Fund
Universal World Emerging Growth Fund
Universal World Growth RRSP Fund
Universal World High Yield Fund
Universal World Income RRSP Fund
Universal World Real Estate Fund
Universal World Resource Fund
Universal World Science and Technology Fund
Universal World Tactical Bond Fund
Universal World Value Fund

Asset Allocation Products:

STAR

17 individual portfolios of Mackenzie-managed mutual funds

KEYSTONE

10 individual portfolios of Mackenzie-managed mutual funds and the following mutual funds sub-advised by third parties

Keystone AGF American Fund
Keystone AGF Bond Fund
Keystone AGF Equity Fund
Keystone Beutel Goodman Bond Fund
Keystone C.I. Signature High Income Fund
Keystone Saxon Smaller Companies Fund
Keystone Sceptre Equity Fund
Keystone Sceptre International Equity Fund
Keystone Spectrum United American Fund
Keystone Spectrum United Equity Fund

Segregated Funds:

The Great-West Life Assurance Company

A member of the Power Financial Corporation group of companies

38 segregated funds

U.S. Mutual Funds:

Ivy Funds

Ivy Asia Pacific Fund
Ivy Bond Fund
Ivy China Region Fund
Ivy Developing Markets Fund
Ivy European Opportunities Fund
Ivy Global Fund
Ivy Global Natural Resources Fund
Ivy Global Science & Technology Fund
Ivy Growth Fund
Ivy Growth with Income Fund
Ivy International Fund
Ivy International Fund II
Ivy International Small Companies Fund
Ivy International Strategic Bond Fund
Ivy Money Market Fund
Ivy Pan Europe Fund
Ivy South America Fund
Ivy U.S. Blue Chip Fund
Ivy U.S. Emerging Growth Fund

MACKENZIE FINANCIAL CORPORATION

CHAIRMAN
Alexander Christ

PRESIDENT & CEO
James Hunter

VICE-CHAIRMAN
Neil Lovatt

EXECUTIVE VICE-PRESIDENTS
Philip Cunningham
Harold Hands
(Corporate Secretary)
Peter Hendrick
(Chief Investment Officer)

SENIOR VICE-PRESIDENTS
Sian Brown
James Dryburgh
(Chief Financial Officer)
Timothy Gleeson
Kerry Ho
Jerry Javasky
Veronica Onyskiw
Stephen Pozgaj
(Chief Information Officer)
William Procter
John Rohr
Peggy Rohr
Moira Saganski
Richard Sambrook
Scott Sinclair
Frederick Sturm

VICE-PRESIDENTS
Dianne Armstrong
Bobbi Demchuk
James Haw
Doug Kean
Chris Kresic
Edward Merchand
Ian Osler
Charles Roth
John Smolinski
Lynn Vickers
(Chief Compliance Officer)
Margaret Vrabel
Merici Young

MACKENZIE FINANCIAL SERVICES INC.

PRESIDENT & CEO
Philip Cunningham

EXECUTIVE VICE-PRESIDENTS
Andrew Dalglish
(Chief Operating Officer)
Todd Backman
David Feather
Terrence O'Sullivan
Ann Savege
Mark Tiffin

SENIOR VICE-PRESIDENTS
Paul Allan
Derek Batty
Jean Bubendorff
Peter Chisholm
Michael Evans
James Fraser
Andrew Grant
Howard Gross
Doug Heighington
David McCullum
Gil McGowan
Marcus Slade
Candy Wu

VICE-PRESIDENTS
John Bennett
Alex Bright
Ashley Cameron
Loretta Cassell
Dinaz Dadyburjor
Andrew Fegarty
Mark Foley
Liana George
Timothy Herron
Michael Hoeher
Leslie Howard
Carl James
Alex Lopez
Robert Mask
Chris McKim
Helene Nadeau
Robert Neish
Mary Anne Palangio
Mark Witte
David Wong
Millie Wong
Judith Yamamoto

MACKENZIE INVESTMENT MANAGEMENT INC.

PRESIDENT & CEO
Keith Carlson

SENIOR VICE-PRESIDENTS
James Broadfoot
William Ferris
(Secretary/Treasurer)

VICE-PRESIDENTS
Paul Baran
Thomas Bivin
Robert Perry
Sheridan Reilly
Lance Vetter
Beverly Yanowitch
(Chief Financial Officer)

MRS GROUP OF COMPANIES

GROUP PRESIDENT
Laurie Munro

PRESIDENT & CEO
M.R.S. TRUST COMPANY
Allan Warren

PRESIDENT & CEO
MULTIPLE RETIREMENT SERVICES INC.
Theresa Currie

CHIEF OPERATING OFFICER
Scott Sinclair

SENIOR VICE-PRESIDENT
Samuel London
(Chief Financial Officer)

VICE-PRESIDENTS
Richard Boyer
Lee Goldman
Michael Kazmierowski
Ian Mellott
Mary Lou Rice
Bruce Sheppard

Mackenzie
Building Financial Independence

ANNUAL MEETING

The annual meeting of shareholders
will be held on
Friday, September 8, 2000, at 10:00 am
at The Glenn Gould Theatre,
250 Front Street West,
Toronto, Ontario

HEAD OFFICE

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TRANSFER AGENT

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Toronto, Ontario
M5C 2W9
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LISTINGS

The Toronto Stock Exchange – MKF
NASDAQ – MKFCF

Mackenzie
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